



SOCIAL JUSTICE AND SOCIAL SECURITY COMMITTEE PRE-BUDGET 2023-24 SCRUTINY BRIEFING

September 2022

1.0 How will the spending allocations for 2023-24 set out in the Spending Review impact on poverty?

The priorities as set out in the spending review should have a positive impact on poverty in Scotland. It is right that tackling child poverty is a key priority for the spending review. However, it is not clear that the approach to resource allocation is yet sufficient to ensure that the government's statutory child poverty targets are met, and that families are kept afloat through the cost-of-living crisis.

1.1 Social Security investment: It is absolutely right that investment in social security is prioritised. This is essential to meeting the Scottish government's statutory child poverty targets and to protecting Scottish families from health and economic shocks. We welcome the funding allocated to increase the Scottish child payment (SCP) to £25 per week per eligible child on its full roll out to all eligible under 16s in November. Our analysis suggests, as does the Scottish government's,¹ that this investment will reduce relative child poverty in Scotland by around 50 000 (5 percentage points).

We welcome the commitment to continue to fund the mitigation of the bedroom tax, and the additional funding to mitigate the benefit cap. These measures will both reduce child poverty.

In order for all families, and particularly those in the priority groups,² to fully benefit from the support the Scottish child payment provides, the Scottish government also needs to look at social security measures to support families impacted by the UK government's two-child limit³ and the under 25 penalty.⁴ CPAG analysis suggests that mitigating the two-

¹ <https://www.gov.scot/publications/scottish-child-payment-estimating-the-effect-on-child-poverty/>

² The Scottish Government analysis shows that many of the families that are living in poverty are in one, or more, of six groups. They also note that families in these groups are more likely to be in poverty. Around 10% of families not in any of these groups are in poverty, yet between 29% and 55% of families in these groups are living in poverty. The 6 priority groups are lone parents (38%), families impact by disability (29%), larger families with 3 or more children (32%), minority ethnic families (38%), families with a youngest child under 1 (34) and mothers aged under 25 (55%).

³ The two-child limit is a UK government policy that prevents families in receipt of universal credit (UC) or child tax credits (CTC) from getting a child element for a third or subsequent child born after 6th April 2017, unless one of a small number of exceptions applies

⁴ All people aged under 25 receive substantially less on UC than those over 25. Unlike in the legacy benefit system, UC extends this penalty to younger parents. This makes single younger parents £70 a month worse off and couple parents £110 a month worse off than on legacy benefits.

child limit alone would reduce child poverty in Scotland by between 10 000 – 15 000 and cost around £85m. The impacts of the two-child limit on families have been well documented. For example, evidence from CPAG’s Early Warning System and the Benefit Changes and Larger Families project highlights how families affected are losing significant income. Other than the ideal of abolishing the two-child limit at source, we believe the most practical and effective way to address the impact of the two-child limit in Scotland is through an additional payment of Scottish Child Payment to all households who have a third, or subsequent, child born after the 6th April 2017. We are aware that there are some families who would miss out on this support if such an approach was adopted but believe that it would provide a pragmatic balance between full mitigation and simplicity.

There also needs to be sufficient investment to ensure that Social Security Scotland can meet its aims as set out in its statutory charter, its legal obligations and its forecast spending. The Scottish Fiscal Commission forecasts that an additional £568m will need to be invested by 2026⁵ due to the improvements the Scottish government are making to adult disability assistance alone. Given the pressure budgets are under, it can’t be assumed that current taxation policies will raise sufficient revenue to support this and other investments in social security.

1.2 Reducing Household Costs: As the Spending Review notes, the way Scottish government allocates resources can also reduce costs for households. Our *Cost of a Child in Scotland* report⁶ estimates that the cost of bringing up a child for low-income families in Scotland will be up to 31% lower in Scotland than the rest of the UK, as a combined impact of lower childcare costs in Scotland and Scottish government announced policies to increase income and reduce costs.⁷ It is vital, that the policies that Scottish government policies that have been announced are delivered and fully resourced to deliver this impact. These include:

1.2.1 School Meals: The Scottish government had already committed to the universal provision of free school meals for all primary school children, and we were disappointed that this commitment was not met by the original date of August 2022. We welcome the commitment in the 2022/23 Programme for Government to ‘begin to roll out the provision of universal free school meals to Primary 6 and Primary 7 pupils’. Sufficient resources must be allocated to allow for both the capital costs, and revenue costs, of providing free school meals to all primary school children and to start exploring how to roll out free school meals to all secondary school pupils. Reducing costs can often be most effectively done through the universal provision of services. A universal approach is not only more effective in reaching all families in poverty, but also provides security and stability for middle- and higher-income families, and helps stop families falling into poverty⁸. As a first step towards universal free school meals for all secondary pupils the budget should allocate sufficient resources to allow the roll out of free school meals to all those entitled to universal credit (or equivalent legacy benefit).⁹

1.2.2 Other Cost of the School Day: There must be sufficient resources budgeted to meet commitments regarding the Cost of the School Day, both in terms of ongoing costs of commitments that have already been rolled out, but also to ensure outstanding commitments are fully rolled out as soon as possible. These include:

- Providing ‘every child with a device and a connection to get online’;

⁵ Scottish Fiscal Commission presentation to Disability and Carers Benefit Expert Advisory Group.

⁶ The Cost of A Child In Scotland, D Hirsch, CPAG 2022. Available from https://cpag.org.uk/sites/default/files/files/The_cost_of_a_child_in_Scotland.pdf

⁷ This included the investment in the Scottish child payment and other social security payments, as well as reduce costs for childcare, school meals and transport.

⁸ See, for example, C.J. Morelli and P.T. Seaman (2022), *Understanding Society: Poverty, Wealth and Inequality in the UK*, London

⁹ At present many households who are entitled to universal credit are not entitled to free school meals, including many households that are living in poverty.

- Ensuring funding is available so that ‘every primary and secondary pupil can go on curriculum related and residential trips’;
- Supporting the automation of school clothing grants in every local authority; and
- Investing in advice provision in education settings and providing resources for a national campaign focusing on awareness and uptake of entitlements.

1.2.3 Childcare: We welcome the ongoing commitment to further provision of funded childcare. Investment must match the scale of the challenge. Childcare policy must play as full a role as possible in reducing child poverty, by allowing those parents who choose to the opportunity to work, by reducing costs for all those who use childcare and by ensuring the highest quality early learning opportunities for all our children. Spending on childcare is an investment in infrastructure, an investment in our children, an enabler of paid work, and supports the realisation of women’s equality and rights that are critical to ending child poverty.

We welcome the provision of 1140 hours of funded children for all children aged three and over. It is now vital that adequate resources are allocated to ensure the existing and new childcare offer is delivered in a way that meets the needs of parents and their children. New commitments to extend childcare need to be delivered in a way that learns from the experience of the 1140 hours roll out. Furthermore, the decision to target provision for one- and two-year- olds initially only at those on low incomes must be reviewed to ensure it does not create stigma and a barrier to take up.

The Scottish government must allocate sufficient resources to allow Scotland to move toward a childcare system that provides, for those who choose to use it, up to 50 hours of accessible, flexible high-quality child centred childcare from the point the child is six months old, and that is free at the point of use.

1.3 Employment and employability: Spending allocations must be adequate to drive the economic transformation and fair work agenda that is essential to ending child poverty, as well as ensure effective employability support is in place to enable parents, especially mothers, to access decent jobs. Many families in work are still in poverty, as a result of low pay, job insecurity and inability to work the hours they require. Parents, particularly mothers, lone parents, parents affected by disability and black and minority ethnic parents, too often face significant barriers to entering decent jobs. Public procurement and public sector wage setting can play a vital role in removing these barriers and ensuring parents can earn sufficient wages to protect their children from poverty. Investment in the health and social care workforce must be used to increase wages and drive best practice in recruitment and in employment policies to reduce the barriers to employment faced by women, BME communities, lone parents and those affected by disability.

The Scottish government’s cumulative assessment of how child poverty targets can be met includes the impact of new investment to strengthen the employability offer to parents. Given the Deputy First Minister’s emergency budget review statement of 7 September, that significant resources earmarked for the development of employability programmes are to be reallocated in this financial year, it is vital that the impact on child poverty delivery is kept under close scrutiny. Employability programmes need to be designed to meet the actual needs of parents and adapted to recognise the extraordinary pressures they face.

1.4 Digital public services: The ‘shared vision of a modern, digital and collaborative government’ described in the resource spending review must be utilised to support low-income households. The Scottish government must ensure that IT systems, specifically for social security and other supports for low-income households, are developed in such a way that data sharing can both reduce administration costs and maximise the take up of entitlements. This must be built in at the development stage, and include both the technical solutions to sharing data, as well as the legal gateways to allow data sharing between public bodies in order to maximise take up of entitlements, whilst protecting individuals’ privacy rights.

convenient and effective. However, there can be barriers to accessing services digitally, and low-income households are more likely to face ‘digital exclusion.’¹⁰ The Scottish government must undertake robust assessments, in each case, to ensure that the digitisation of services does not raise any barriers to accessing services, particularly for low-income households.

1.5 Advice services: Continued investment in advice services is welcome. Evidence from our advice line consistently highlights that many people cannot access their maximum social security entitlement without expert help and advice. The 2022/23 Programme for Government rightly acknowledges that families may miss out on support that is available to them. The new Cost of Living website to help people find what support is available in their circumstances must be underpinned by sufficient investment to fund the expansion of income maximisation and advice services, including the training of new advisers.

2.0 If you think there are measures in the RSR that could increase poverty – what can be done to prevent this.

We have not identified any measures in the RSR that would increase child poverty. However, lack of sufficient further investment will put at risk the ability to reduce child poverty on the scale needed to meet statutory child poverty targets.

2.1 Rising Prices: The spending allocations that are set out in the review need to be looked at in the current context of the rising costs families face. Families with children face energy bills on average 30% higher¹¹ than other households and children are at most risk of being pushed into poverty by the current crisis.¹² When making the ‘hard choices’ to resource the cost-of-living response the Scottish government must as an absolute priority protect investments in action that reduce child poverty.

Sufficient funding needs to be place for services (such as education, childcare, housing, transport) that are essential to all families but are particularly important to low-income households. It is important that the funding settlements for local authorities provide them with sufficient resources to deliver the essential services which families, especially low- income families, rely on.

2.2 Social Security: The increase to the Scottish child payment to £25 a week announced In March 2022 was hugely welcome and will make a real difference to individual families, as well as making a substantive impact supporting progress toward meeting the interim relative child poverty target in 2023/24. However, inflation is now at 10%, with predictions that it may rise even higher, and costs for low-income households are rising even faster.¹³ The Resource Spending Review and forthcoming budget must ensure adequate investment is made to hold the real terms value of the increased £25 Scottish child payment next financial year and beyond. The payment must be adequate to continue to have the child poverty impact it was designed to when it was announced in March 2022. With our lowest income families experiencing higher than average levels of inflation due to their need to prioritise purchase of rapidly rising essentials, that means at the very least an above inflation increase to the Scottish child payment, and other Scottish family payments, in April 2023.

2.3 Taxation: Taxation policy needs to be kept under review to ensure sufficient resources are made available to deliver on the Scottish government’s priorities and legal child poverty commitments and human rights obligations. It should not be assumed current taxation policy will be sufficient. The Scottish government must ensure it has the resources needed to fund the social security and infrastructure needed to prevent and reduce child poverty and to fully realise children’s right to an adequate standard of living. As a first step the Scottish government needs to review all the tax

¹⁰ see for example CPAG’s 2020 report “The Cost of Learning in Lockdown” or The Scottish Government’s 2021 “Equity Audit” report

¹¹ <https://cpag.org.uk/news-blogs/news-listings/gaping-1000-gap-worst-families-energy-price-cap-rises>

¹² <https://www.resolutionfoundation.org/publications/in-at-the-deep-end/>

¹³ <https://ifs.org.uk/news/inflation-hits-9-poorest-households-facing-even-higher-rates> **4**

powers it has and identify how to make progressive use of devolved taxes to fund the social infrastructure needed, not just to prevent more children being pushed into poverty, but to help end that poverty for good.

Specifically, the Scottish Government should:

- use Scottish powers over income tax to ensure adequate revenues are available to deliver the strategic outcomes set out in the resource spending review;
- commit to not implementing in Scotland any income tax cuts that are instigated in the rest of the UK that would reduce the resources available to deliver on child poverty commitments;
- review the costs, and benefits, of the current system of non-domestic rates; and
- consider the opportunities for further harnessing Scotland's wealth.

3.0 What level of analysis do you expect to see in the 2023-24 Equalities and Fairer Scotland Budget statement?

As noted above, in order to meet Scotland's statutory child poverty targets all policy and spending decisions must be viewed through a child poverty lens. Analysis in the 2023-24 Equalities and Fairer Scotland budget statement must be sufficient to understand the impact of each budget decision on child poverty and the extent to which the resource allocation will support progress toward meeting the statutory child poverty targets.

The link between women's poverty and child poverty is well established and it vital that a gendered analysis of the budget and its impact is included. The gender gap in pay is a particular driver of child poverty,¹⁴ and the statement should include assessment of how public sector pay settlements, training and employment programmes and business support priorities are addressing this gap.

Analysis in the 2023-24 Equalities and Fairer Scotland budget statement must also assess how budget decisions are expected to impact on the priority groups rightly identified by Scottish government in its delivery plan as at disproportionate risk of poverty. The statement should therefore include an assessment of how the budget will impact on these groups: lone parents, one parent families, minority ethnic families, families with a disabled adult or child, families with a younger mother (under 25), families with a child under 1, and larger families. For example, in the case of funding for childcare and early years provision, analysis should identify whether resources are adequate so that larger families (who may have children of different ages) can access the childcare they need; that services are available to support all children with additional needs, and that the barriers that specific minority ethnic groups may face accessing childcare are identified and mitigated.

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¹⁴ CPAG. *Poverty in Scotland 2021*. page 51-53 <https://askcpag.org.uk/?id=-231001>.