



CPAG in Scotland

Response to call for contributions to the Independent
Budget Review Panel

12 April 2010

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1.0 Child Poverty Action Group (CPAG) in Scotland

CPAG promotes action for the prevention and relief of poverty among children and families with children. To achieve this, CPAG aims to raise awareness of the causes, extent, nature and impact of poverty, and strategies for its eradication and prevention; bring about positive policy changes for families with children in poverty; and enable those eligible for income maintenance to have access to their full entitlement.

Examples of our work in Scotland include raising awareness through the publication, with partners, of *Poverty in Scotland*; influencing policy on free school meals and fuel poverty, amongst other issues; contributing a Scottish voice to UK wide campaigns on education (2 Skint 4 School), child benefit (Make Child Benefit Count) and welfare reform; and maximising incomes through specialist training, advice and information on benefits, tax credits and their interaction with devolved sources of financial support.

2.0 Introduction and Summary

The Scottish Government is committed to “doing all within its powers” to eradicate child poverty, and has taken on a legal duty, with the passing of the UK Child Poverty Act 2010 and associated legislative consent memorandum, to produce child poverty strategies setting out the measures that will be taken to meet the 2020 target, and to report to the Scottish Parliament on measures taken and progress made.

Furthermore the Scottish Government has committed to a Solidarity purpose target to reduce income inequality, a target particularly welcomed by CPAG which has long arguedⁱ that there is a real need for government to address the role underlying income inequalities play in undermining progress toward eradicating child poverty.

These commitments and responsibilities should be at the heart of the Independent Budget Review Panel’s deliberations. Proposed spending priorities must take account of the reality of the current pressures on public spending, starkly laid out in the Review Panel’s call for contributions, but at the same time take a longer view on how spending and the organisation of service delivery can contribute to meeting child poverty and ‘Solidarity’ goals.

One in four of Scotland’s children (240 000) remain below the poverty lineⁱⁱ. The damage caused by that poverty to children’s health, education, wellbeing and life chances are well documented, and the wider cost to society in terms of additional spending on services estimated at £1/2 -3/4 billion a year in Scotland aloneⁱⁱⁱ.

The very real progress that had been made on reducing child poverty had stalled even as the economy boomed and public spending rose. But just as a growing economy and rising public spending were not the solution to child poverty; recession, economic recovery and public spending cuts must not be a barrier to further progress.

Whatever the overall level of resources available, **spending decisions must focus on ensuring families have the necessary share needed to protect their children from poverty, and that services are delivered in a way that does not exclude, stigmatise or place additional pressure on them.**

Spending decisions need to be proofed for the impact they will have on immediate reductions in the numbers of children experiencing poverty, as well as to the extent to

which they contribute to, or undermine, the creation of the conditions for a Scotland free of child poverty.

At a time of tightening public finances there is inevitable pressure to increasingly target services and financial support only at those in the most need. However in reviewing spending options and priorities the apparent benefits of such targeted approaches need to be weighed up against the inevitable reduction in take up that is associated with means testing, and the risk of undermining the very social solidarity that is needed to genuinely achieve the Scottish Government's strategic objective of a fairer, smarter and healthier Scotland, where Solidarity targets are met and child poverty eradicated, rather than just alleviated.

CPAG in Scotland therefore makes four key recommendations to the Independent Budget Review Panel:

- a) Proof analysis of spending challenges and choices for the **impact on children living in poverty**.
- b) Proof analysis for the contribution different choices make to developing the **conditions needed for a Scotland free of child poverty by 2020**.
- c) Recognise the **value of universal approaches** to ensuring services reach those who most need them and to sustaining and building the social solidarity required to create a more equal Scotland, free of child poverty, in line with Scottish Government objectives.
- d) Examine the potential **role of devolved tax policy** in framing the review of spending challenges and choices.

3.0 Proofing for impact on children living in poverty now

It is vital that as government at every level reviews budgets and seeks to reduce overall public spending that a mechanism is developed to ensure that the impact on child poverty objectives is assessed. CPAG is concerned that current mechanisms for ensuring local authority spending and policy is, and can demonstrate to be, contributing to national child poverty objectives are not robust enough. Scottish Government has stated that progress in implementing the national framework for tackling poverty and inequality agreed with COSLA (*Achieving our Potential*) will be monitored through Single Outcome Agreements (SOAs)^{iv}. However analysis of SOAs by members of the End Child Poverty Campaign in Scotland, including CPAG, found only half of SOAs mention child poverty directly, only four explicitly state that tackling child poverty is a priority and only two set a local outcome to reduce child poverty. It is difficult to identify strategic approaches to ensuring spending and policy decisions at local level contribute to national child poverty goals, or wider poverty and inequality objectives.

Areas of service provision that CPAG believes are essential to ensuring government in Scotland contributes to eradicating child poverty, and which should therefore be prioritised in spending reviews at every level are:

- **Childcare and early years provision**, both to enable parents to take up employment, education and training opportunities and to ensure all children have access to high quality early learning and development opportunities. The

commitment to increase nursery provision for 3 and 4 year olds to 15 hours per week made in the Concordat between Scottish Government and COSLA must therefore be honoured, and the provision of affordable accessible and flexible childcare where and when parents need it prioritized.

- **Income maximisation advice and information services** to ensure families, in and out of work, receive their full benefit and tax credit entitlements. Official estimates suggest one in five families fail to claim tax credits worth around £70m in Scotland alone^v, and there is evidence that families facing the most severe and persistent poverty are not receiving the benefit support they should be.^{vi} Despite being at particular risk of poverty less than half of disabled children receive Disability Living Allowance.^{vii} Research shows welfare rights services “improve take up and deliver significant financial gains for clients”; that the “extra resources acquired by clients tends to be directed toward extra spending on fuel, food, education, recreation and transport”; and that the “local economy gains”. Furthermore evidence suggests welfare rights advice is cost effective. RNIB estimate that for every £1 of funding £44 worth of unclaimed benefit is raised, whilst CAB estimate every £1 spent on take up campaigns nets up to £85 for local areas.^{viii}
- **Reducing the additional costs of school**, so as to remove barriers to educational attainment, by, for example;
 - minimising the impact of **charges for school related activities**;
 - providing **school clothing grants** that reflect the real cost of school clothing with consistent minimum entitlement criteria across Scotland.
 - extending entitlement to **free school lunches**, at the very least to all children living in poverty, and taking steps to remove the means test for healthy school lunches by rolling out universal free school lunches to all children in the early years of primary school.

4.0 Proofing for contribution to the development of conditions needed for a Scotland free of child poverty

In addition to proofing spending and policy priorities for their immediate impact on children in poverty it is vital that budget decisions take into account the need to create the conditions necessary for a society free of child poverty. There is nothing inevitable about the levels of child poverty in Scotland, or across the UK. Other European countries enjoy far lower levels of child poverty, and higher levels of child wellbeing. We need to look to such societies to understand the conditions that are associated with low levels of child poverty. Evidence^{ix} suggests that it is a combination of a high quality labour markets, strong unions and good relationships with employers, universal high quality services (including childcare), and high levels of social security support that are the key conditions associated with low levels of poverty. Scottish government has an important role to play in fostering these conditions, particularly in relation to improving the quality of employment opportunities, the distribution of pay and in moving toward more universal approaches to service provision.

Pay Distribution and the public sector paybill

A key characteristic of countries with low levels of child poverty is far more equal pay distribution. In Scotland more than half of children living in poverty live in families where an adult is working, whilst a fifth of low pay is in the public sector.^x

The Scottish public sector paybill makes up a significant proportion of pay distribution in Scotland. Ensuring that the overall paybill within the public sector is distributed more equally would play a vital role in tackling the low pay that underpins much of Scotland's child poverty, as well as setting an example to the private sector. Building on the concept of a Scottish Living Wage and increasing rates of pay at the bottom of the public sector pay spectrum would set an example in tackling in-work poverty.

While increasing pay rates is not the only solution to low-paid employment (parental hours and other income transfers are also important), it makes a significant contribution to family incomes, and can help fulfil the promise of employment as a route out of poverty. Whilst interaction with reserved tax and benefit systems may limit the impact of a Scottish 'living wage' on overall family incomes in the short term, **reducing inequality in wage distribution is an important condition for the long term eradication of child poverty and should be a key consideration in public sector spending decisions.**

Improving the quality of employment

Ensuring work is a genuine route out of poverty requires working with public and private sector employers to increase the number of quality jobs available to parents and placing tackling low pay (along with the insecurity, discrimination and family unfriendly practice that too often makes work an ineffective route out of poverty) at the heart of Scottish and local government enterprise and business support priorities.

Services that provide ongoing training and skills development opportunities to ensure that parents can maximise their chances to access work with improved pay, conditions and longer term prospects need to be prioritized and the business benefits of flexible employment opportunities promoted.

5.0 Recognising the value of universal approaches to service provision

Getting the right balance between targeted and universal support is crucial to further progress in tackling poverty. Policy to date, at both Westminster and Holyrood, has largely focused on targeting resources, but future progress will demand a better balance between the need to target and the need to ensure support reaches all families that need it. In Scotland that means working toward a universal approach to providing childcare free at the point of delivery, and building on the recent extension of free school meal entitlement toward universal provision.

Too often current targeting means many of those most in need of reserved and devolved sources of support fail to get it, a problem not unique to Scotland or the UK. The 2005 UNICEF report on Child Poverty in Rich Countries highlighted that highly targeted social expenditure creates problems across the developed world and concluded that "benefits universally provided, though apparently more expensive, can avoid this poverty trap"^{xi}

Meanwhile research from economists at Dundee University^{xii} modelled the impact on household income for differing income groups of providing free school meals as first a means tested benefit and then a universal benefit. They concluded that the current system of means testing "fails to deliver welfare to the poorest in society". The results show that universal free school meals do not waste money by benefiting better off

families at the expense of those facing poverty. Only when entitlement is extended to the richest 10% of families is there no additional benefit to less well off children.

The need to rebalance universal and targeted provision has been a key reason CPAG welcomed the Scottish Government's moves toward a more universal approach to free school meal delivery. Cost is a key factor in choosing not to eat a school meal for 21% of primary and 31% of secondary school pupils^{xiii}. Evaluation of the Scottish pilot free school meal programme and of universal free school meal programme in Hull shows that universal provision massively boosts take up of healthy school meals, with real potential for boosting children's health and learning, as well as relieving pressure on family budgets.

The evaluation of the Scottish pilot free schools programme for P1 to P3 pupils^{xiv} showed a substantial effect on take up of school meals, increasing take up by 22 percentage points from 53% to 75%, dramatically demonstrating the additional benefit of the universal approach. Furthermore amongst children already entitled to free school meals under the existing means-testing arrangements take-up rose by up to 8.5 percentage points.

The evaluation also found that there was evidence of an impact on healthy eating at home, concluding that: "The trial provided pupils with an opportunity to try new foods, resulting in pupils asking at home for food they had tried at school."

Poverty at home is compounded by costs imposed at school, including the cost of school meals. Removing those costs is crucial to ensuring all children fully benefit from the education system. Provision of free school meals to all P1 to P3 pupils in the Scottish pilot trials also had a positive impact on family budgets and the home environment. There was "...evidence that the trial had impacted positively on the home environment of pupils," and "... the simple benefit of increasing disposable income was particularly evident amongst parents with more than one child."

Furthermore the evaluation of a free school meals pilot for primary school children over two years in Hull found a "significant impact in all areas of children's schooling...behaviour, social relationships, health and learning"^{xv}

CPAG believes it is therefore vital that the agreement between Scottish Government and local authorities to roll out free school meals to all P1 to P3 pupils is implemented.

Ensuring that even in a time of public spending cuts key services are delivered on a universal basis is also vital in promoting and sustaining the sense of social solidarity that is needed if we are to build a society that is willing to invest a greater proportion of its wealth in services that protect children from poverty and promote opportunities for their development.

6.0 Examine the role of devolved tax policy in framing review of spending

Whilst the bulk of taxation policy is out with the control of Scottish government, **local taxation presents a potential lever to reduce the burden of taxation on the poorest households**. Council tax is regressive. Even after council tax benefit is taken into account, the poorest households with children pay 5 per cent of their gross incomes in council tax compared with 1 per cent for the richest families.^{xvi} Council tax is levied on property value, not on incomes, and the rate of council tax does not rise sharply with

rising property value. This means the poorest families often pay the highest council tax bills as a proportion of their incomes. A replacement must be both fairer and raise the necessary resources for local services.

Council tax benefit exists to help poorer families meet the costs of council tax, but one in five non-pensioner households entitled to it do not receive it. Much more needs to be done to maximise take-up.

Consideration also needs to be given to the **potential role variation in the basic rate of income tax** might play in increasing the resources available to the Scottish government to deliver the action on employment, education and childcare described above, modelled against impact on poverty and inequality.

7.0 Conclusion

As Scotland comes out of recession, and government at every level seeks to restore the public finances, we need to ensure that we do not just find ourselves back with levels of child poverty that were already obscenely high by historical and international comparison.

The costs of child poverty are estimated to be at least £0.5 billion a year in public spending in Scotland alone^{xvii}. We need to cut that waste, not just of money but of children's lives and potential.

Making that cut must mean government in Scotland prioritising advice and information services to ensure take up of the benefits and tax credits that families need to stay afloat, not only reducing child poverty but putting money into local businesses and hastening economic recovery. It must mean prioritising the childcare that parents need to take up work opportunities and to promote children's early learning. It requires prioritisation of support within our education system to help parents meet the additional costs of school meals, school clothing and school trips; and it means reviewing devolved tax levers to ensure the burden of taxation is not falling unfairly on our poorest families whilst at the same time ensuring adequate resources are being raised to fund the services needed to support families out of poverty.

It will also require a focus on universal benefits to protect families from poverty. At a time of tightening public finances it is seductive to suggest targeting supports such as the roll out of universal free school meals. But targeting not only results in our poorest families suffering now, as means-testing reduces take up, it undermines the very social solidarity that is needed to genuinely abolish poverty rather than just alleviate it.

CPAG in Scotland therefore urges the Independent Budget Review Panel to proof its analysis of spending challenges and **set out the impact of different choices on children living in poverty** as well as analyse **the extent to which different choices would contribute to the development of the conditions needed for a Scotland free of child poverty**. Furthermore we urge the panel to consider and recognise the **value of universal approaches** to ensuring services reach those who most need them and to sustaining and building the social solidarity required to create a more equal Scotland, free of child poverty, in line with Scottish Government objectives. Finally we suggest that the Panel takes into consideration the potential **role of devolved tax policy** in framing its review.

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ⁱ See for e.g. CPAG Submission to Scottish Affairs Committee Poverty in Scotland inquiry

http://www.cpag.org.uk/scotland/SAC_Poverty_submission_1006.doc

ⁱⁱ <http://www.scotland.gov.uk/Publications/2009/05/povertyfigures0708/Q/EditMode/on/ForceUpdate/on/Page/5>

ⁱⁱⁱ <http://www.scotland.gov.uk/Resource/Doc/210463/0055652.pdf>

^{iv} *Achieving our Potential: 'SOAs between the Scottish Government and CPPs will provide the vehicle for describing how poverty is being tackled at a local level'.*

^v <http://www.hmrc.gov.uk/stats/personal-tax-credits/takeup-rates2004-05.pdf>

^{vi} *Britain's Poorest Children*, Save the Children, ??

^{vii} *Out of Reach: Benefits for disabled children*, CPAG, 2006

^{viii} Wigan and Talbot, *The benefits of welfare rights advice: a review of the literature*, 2006 at www.nawra.org/nawra/docs_pdf/Benefitsofwelfareadviceadviceelitreview.pdf

^{ix} Eg [Punching Above our Weight? Smaller nations and regions in the fight against poverty in Europe](http://www.poverty.org.uk/s52/index.shtml), Thursday 24 September 2009

^x <http://www.poverty.org.uk/s52/index.shtml>

^{xi} http://www.unicef-irc.org/presscentre/presskit/reportcard6/rc6_summary_eng.pdf

^{xii} www.dundee.ac.uk/econman/discussion/DDPE_173.pdf

^{xiii} <http://www.scotland.gov.uk/Publications/2006/01/13110440/3>

^{xiv} <http://www.scotland.gov.uk/Resource/Doc/236867/0064986.pdf>

^{xv} Prof. Derek Colquhoun, Hull Uni, http://observer.guardian.co.uk/uk_news/story/0,,1995361,00.html

^{xvi} F Jones, 'The Effects of Taxes and Benefits on Household Income, 2006/07', *Economic and Labour Market Review*,

Vol 2 No 7, July 2008, analysis of Table 21

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