



2023/24 SCOTTISH BUDGET BRIEFING

December 2022

The Child Poverty Action Group (CPAG) in Scotland works for the one in four children in Scotland growing up in poverty. We collect evidence from families living in poverty and campaign for solutions to bring about a society where children have a fair chance in life free from hardship. We provide training, advice and information on social security to frontline workers to make sure families get the financial support they need. In this briefing we look at how the Scottish government can ensure it has sufficient resources to tackle child poverty and set out what the spending priorities should be for the 2023/24 Budget.

Summary

CPAG in Scotland strongly welcomes the Scottish government commitment to make eradicating child poverty a priority in its Budget. The Scottish government must now:

- Publish analysis of how its budget decisions will impact on child poverty.
- Ensure sufficient resources are in place to fully fund its statutory child poverty delivery plan and meet child poverty targets.
- Use income tax powers to generate additional revenue to fully deliver actions on child poverty and undertake a review of how Scotland's wider tax powers could be used. This should be bold, and include, for example, options for introducing Scotland specific taxes on wealth.

Priorities for the 2023/24 Budget:

- Ensure the Scottish child payment and other four Scottish family benefits *at the very least* retain their real terms value, through an above inflation increase in April 2023.
- Make additional payments of Scottish child payment to address the impact of the two-child limit.
- Provide sufficient funding to local authorities to mitigate the benefit cap as fully as possible.
- Fund the roll out of free school meals to all primary school pupil from April 2023.
- Ensure schools have sufficient resources to remove cost barriers, including to provide every child with a device and connectivity, remove costs for curriculum related trips and activities and ensure all pupils are able to attend 'rite of passage' trips.
- Make further investment in the Scottish Welfare Fund and its administration and promotion to ensure it can play the fullest possible role in responding to the cost-of-living crisis and ending the need for foodbanks.
- Provide sufficient investment to fund the expansion of income maximisation and advice services, including the training of new advisers.

Introduction

We welcome the commitment from the Scottish government that tackling child poverty is a top priority.¹ Scottish government policies are working. Our new Cost of a Child in Scotland report² demonstrates the difference investment in the Scottish child payment and other low-income benefits, free school meals, free bus travel, funded childcare and reducing the costs of the school day are all making. However, despite these vital investments, soaring inflation and real terms UK benefit cuts in 2022 mean the gap between family incomes and the minimum cost of raising a child is widening horribly. Rising prices are hitting families and low-income households the hardest.³ It is more important than ever that all budget decisions are developed through a child poverty lens to understand the direct and indirect impacts on low-income families. **The Scottish government should publish analysis of how it's budget decisions will impact on child poverty.**

We welcome the decisions of the Scottish Parliament to use its powers to increase social security payments to low-income families – this is a key mechanism to tackling child poverty in Scotland. The Scottish government's *Best Start, Bright Futures: Tackling Child Poverty Delivery Plan* also rightly sets out wider action on childcare, employment and housing that are critical to ending child poverty. It is now vital there are sufficient resources to ensure the measures outlined in the plan, and the commitments already made, are put into practice. **This budget must ensure the Scottish government has sufficient resources to fund social security and wider measures in its statutory child poverty delivery plan - Best Start, Bright Futures.**

Increase revenue from income tax

The next year will be financially challenging for government, but even more challenging for low-income families. The Scottish government must ensure it has the additional revenues needed to meet all the commitments it has made to tackling child poverty, as well as fund the further action needed to meet child poverty targets.

The Scottish Parliament has significant powers over income tax. Given the extraordinary pressure on existing government resources, this budget must **make further progressive changes to income tax rates and thresholds to generate the additional revenue needed to fully deliver the actions that are needed to meet child poverty targets.**

In the longer term increasing the tax base in Scotland is important to allow sufficient revenue to be generated. Key policies that would both tackle child poverty and increase the tax base include:

- Closing the gender pay gap would bring more women into the tax system, and create more higher rate taxpayers, as well as reducing child poverty.
- Investment in childcare would help increase employment and the associated tax base, whilst also reducing costs for families.
- Removing barriers to employment for people with disabilities, BME communities, low-income households, and women, would increase the income from work for many families at greater risk of poverty, whilst also increasing the number of taxpayers.

Further tax reform.

Taxation policy needs to be kept under review to ensure sufficient resources are available to deliver on the Scottish government's priorities, legal child poverty commitments and human rights obligations. It should not be assumed current taxation policy will be sufficient. The Scottish government needs to review all the tax powers it has and identify how to make progressive use of those powers to fund the social infrastructure needed, not

just to prevent more children being pushed into poverty, but to end that poverty for good. **The Scottish government must undertake and publish a review of the tax powers it has. The scope of the review should be bold, and include, for example, options for introducing Scotland specific taxes on wealth and inheritance.**

Spending priorities

The Scottish Parliament has unanimously agreed to legally binding child poverty targets.⁴ Analysis suggests that the headline interim target is achievable, but that there is more to be done to ensure all the interim targets are met by the deadline of 2023/24. It is also important that the groundwork is laid to ensure Scotland can meet its target of less than 10% of children living in poverty by 2030. Here we look what the spending priorities should be in this budget to ensure these targets are met.

Investment in social security

A key driver of child poverty is the inadequacy of the UK social security system. In this context the introduction of the Scottish child payment as an additional social security payment to low-income families, and increases to its value, will have a significant impact - lifting up to 50,000 children out of poverty, as well as reducing the depth of poverty and the risk of poverty for many more. In the context of spiralling prices, it is essential that the £25 per week Scottish child payment retains its real terms value. Families face inflation rates that haven't been seen for decades - with prices predicted to rise even further, and low-income households facing additional high costs above the headline rate of inflation.⁵

The other four Scottish family benefits for low-income families - the three Best Start grants and the Best Start Foods payment – also provide vital additional support to families. It is crucial that these benefits also continue to retain their real terms value.

The impact of the Scottish child payment is reduced for some of the families that need it most, by the two-child limit,⁶ the benefit cap, the bedroom tax and the young parent penalty.⁷ The ultimate responsibility for these policies lies with Westminster and we urge the UK government to abolish them at source. In the meantime, we welcome the Scottish government mitigation of the bedroom tax and the announcement that the benefit cap will be mitigated as fully as possible using discretionary housing payments. We urge the Scottish government to now also allocate the resources to mitigate the two-child limit and young parent penalty. Scottish government analysis suggests that reversing the impact of the two-child limit would be a most cost-effective way to reduce child poverty⁸ - CPAG analysis suggests it would cost £85m and lift over 12 000 children out of poverty. Without the targeted support to mitigate these policies it will be increasingly difficult for the Scottish government to meet its child poverty targets. The most effective way to mitigate both the two-child limit and the young parent penalty in Scotland is through additional payments of the Scottish child payment to the families that are impacted.⁹

The 2023/24 Scottish budget should:

- Ensure the Scottish child payment and other four Scottish family benefits *at the very least* retain their real terms value, through an above inflation increase in April 2023.
- Fund additional payments of Scottish child payment to address the impact of the two-child limit and to support young parents affected by the under 25 penalty in universal credit.
- Provide sufficient funding to local authorities to mitigate the benefit cap as fully as possible and continue to mitigate the bedroom tax.

The ever-increasing complexity of social security, along with rising costs and insufficient wages, means more people than ever are seeking advice from welfare rights services. Evidence from our advice line consistently highlights that many people cannot access their maximum social security entitlement without expert help and advice. We welcome the colocation of advice services, and effective referral pathways, that we are seeing in local authorities across Scotland.¹⁰ However, we understand that there is a lack of capacity within advice services,¹¹ as well as difficulty recruiting new advisors. **This budget must provide sufficient investment to fund the expansion of income maximisation and advice services, including the training of new advisers.**

The Cost of the School Day

The cost of school meals is a significant pressure on increasingly hard-pressed household budgets, particularly for those just above the means-tested threshold for free meals. Research continues to show that universal provision is progressive and helps tackle inequality.¹² We welcomed the Scottish government's commitment to introduce free school meals to all primary school children by August 2022.¹³ It was disappointing that in the last budget the commitment was reduced to rolling out universal free school meals only by the end of this parliamentary term. Families still have no timetable for the full roll out of this policy.

The Scottish government should also take a universal approach towards school meals in secondary schools. We understand that there are capacity and logistical barriers to extending provision in high schools, but an immediate first step could be the extension of free school meals to all families in receipt of universal credit, or equivalent means-tested benefits¹⁴ as part of a roadmap towards universal provision.

This budget must ensure that there are sufficient resources allocated to roll out free school meals to all primary school pupils from April 2023. A timetable for the introduction of universal free school meals in secondary schools must also be developed.

We welcome the Scottish government's commitment to 'ensure access to a device for every school aged child.'¹⁵ We also welcomed the commitment made in the SNP manifesto to 'support schools to provide inclusive trips and activities for all and ensure consistent practice across Scotland', and the commitment in the Scottish government and Scottish Green Party Shared Policy Programme¹⁶ to 'ensure that schools and teachers are resourced to deliver [the Curriculum for excellence]'. It is now more important than ever that costs of the school day are minimised. **This budget must ensure that schools have sufficient resources to:**

- provide every child with a device and connectivity;
- ensure families do not face costs for curriculum related trips and activities;
- ensure all pupils able to attend 'rite of passage' trips, such as P7 residential; and
- introduce minimum entitlement for all secondary pupils to attend at least one 'optional' trip during their time at school.

Investment in the Scottish Welfare Fund

We welcome the Scottish government's commitment to a cash first approach to supporting households in immediate crisis.¹⁷ The Scottish Welfare Fund should be the key source of cash first support, through provision of crisis grants and community care grants where families face exceptional pressures. However, we know from our work and the work of our partners,^{18,19} that many people facing an income crisis are unaware of, or unable to

access, the Scottish Welfare Fund. The Scottish government has commissioned a review of the Scottish Welfare Fund. However, changes to the scheme can be made, and the level of investment in the scheme increased, immediately.²⁰

This budget must provide sufficient investment in the Scottish Welfare Fund and its administration and promotion to ensure families can access the cash support they need, and so that it can play the fullest possible role in ending the need for foodbanks.

Investment in childcare

Lack of appropriate childcare, and the childcare costs families face, continue to lock children in poverty, despite significant improvements in funded childcare in recent years.

We welcome the commitments that the Scottish government has already made,²¹ and the recognition in the *Best Start, Bright Futures: Tackling Child Poverty Delivery Plan 2022 to 2026*,²² that tackling child poverty will require further investment in childcare. With our partners, we have developed a vision for childcare in Scotland²³ to help ensure that this further investment is both sufficient to rise to the challenge and effective in delivering the childcare system that Scotland needs. **This budget must provide sufficient investment in childcare to realise the ambitions in *Best Start, Bright Futures*, but also to go further and ensure every parent can access up to 50 hours childcare per week, when they need it.**

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¹ <https://www.gov.scot/publications/investing-scotlands-future-resource-spending-review-framework/pages/3/>

² <https://cpag.org.uk/policy-and-campaigns/report/cost-child-scotland-2022-update>

³ <https://www.resolutionfoundation.org/press-releases/cost-of-living-gap-between-rich-and-poor-hits-fresh-high-as-effective-inflation-rate-for-low-income-households-hits-12-5-per-cent/>

⁴ <https://data.gov.scot/poverty/2022/cpupdate.html>

⁵ Fraser of Allander institute, Scottish Economy Update September 2022

⁶ 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.

⁷ 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.

⁸ <https://www.gov.scot/publications/welfare-reform-report-impact-welfare-reforms-households-children/>

⁹ CPAG and OPFS held round tables with key stakeholders and experts to discuss the most effective way of mitigating the two-child limit and young parent penalty that concluded the Scottish child payment was the most effective method.

¹⁰ https://www.improvementservice.org.uk/_data/assets/pdf_file/0014/40523/child-poverty-cost-of-living-briefing.pdf

¹¹ See, for example, NHS GG&C *Tackling Child Poverty Delivery Plan - Universal Pathway Money Advice Directive*

¹² For example C.J. Morelli and P.T. Seaman (2022), *Understanding Society: Poverty, Wealth and Inequality in the UK*, London: Routledge also see C.J. Morelli and P. Seaman, 2010, Devolution as a policy crucible: the case of universal free school meals, *Poverty & Public Policy*, Vol. 2: Iss. 1, pp.139-61, DOI: 10.2202/1944-2858.1032

<http://www.psocommons.org/ppp/vol2/iss1/art7/> also see C. J. Morelli, G. Mooney and P. Seaman 2012, 'Moving 'Upstream'? The Case for Universalism and Redistribution in Tackling Poverty and Inequality in the Devolved Scotland', in M. Leith, I. McPhee and T. Laxton, (ed.s), *Scottish Devolution and Social Policy - Evidence from the First Decade*, (Cambridge). ISBN 978-1-4438-3790-3

¹³ <https://www.gov.scot/news/budget-deal-secured/>

¹⁴ The benefits of extending entitlement beyond the current entitlement are explored in our free school meals policy paper available from <https://cpag.org.uk/policy-and-campaigns/briefing/free-school-meals-policy-paper>

¹⁵ *Best Start, Bright Futures: tackling child poverty delivery plan 2022 to 2026*, Scottish government, 2022, Pg 14 available from <https://www.gov.scot/publications/best-start-bright-futures-tackling-child-poverty-delivery-plan-2022-26/>

¹⁶ <https://www.gov.scot/publications/scottish-government-and-scottish-green-party-shared-policy-programme/>

¹⁷ See, for example, <https://blogs.gov.scot/participation/2022/02/18/ending-the-need-for-food-banks/>

¹⁸ E.g. <https://opfs.org.uk/policy-and-campaigns/policy-research/scottish-social-security-benefits-and-local-authority-discretionary-payments/scottish-welfare-fund-joint-briefing/>

¹⁹ <https://amenuforchange.files.wordpress.com/2020/01/a-menu-for-change-swf-report-updated.pdf>

²⁰ Our further recommendations are informed by CPAG's 2021 Ending the Need for Food Banks project which examined emergency support in England, Wales and Scotland and the role it can play in reducing demand for food banks and food aid. We ran four workshops and we ran two citizen's juries, gather insights into public knowledge of emergency support.

²¹ Further investment in childcare through, for example, the funding 1140 hours of childcare for all pre-school children from the age of three and additional investment in funding childcare provision for some families for two year olds.

²² *Best Start, Bright Futures: tackling child poverty delivery plan 2022 to 2026*, Scottish government, 2022, available from <https://www.gov.scot/publications/best-start-bright-futures-tackling-child-poverty-delivery-plan-2022-26/>

²³ <https://cpag.org.uk/news-blogs/news-listings/vision-childcare-helps-end-child-poverty-scotland>