



# FINANCE AND PUBLIC ADMINISTRATION COMMITTEE DEBATE: SCOTTISH BUDGET 2023-24

January 2023

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.

**We welcome the prioritisation of child poverty in this budget.** Prioritising investment to reduce inequality and eradicate child poverty is absolutely the right thing to do. We know that this investment is working. Our Cost of a Child in Scotland report<sup>1</sup> analyses the difference the commitments that have already been made will make to families in Scotland - the 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 having a welcome impact on low-income households. But, as the budget document notes '*poverty still blights the lives of too many people in Scotland,*' and **more needs to be done in order to deliver on the child poverty commitments** that Holyrood has unanimously backed.

In this briefing we look at how far the Scottish Budget 2023-24 goes in providing sufficient resources to tackle child poverty, and what more needs to be done.

## Benefit uprating

We welcome the decision to uprate most of the devolved social security benefits. However, we now **urge the Scottish government to go further and also uprate the Scottish child payment in April 2023.** Otherwise, the £25 per week payment will lose its value over the coming months, at a time when families are continuing to face rising prices – with lowest income households facing the greatest increase in their costs.<sup>2</sup> The End Child Poverty Coalition and the Scottish Campaign on Rights to Social Security, coalitions that represent a wide cross section of the third sector organisation in Scotland, have both called on the Scottish government to, **at the very least, increase the Scottish child payment by the rate of inflation from April 2023.** At a time of an ongoing cost of living crisis the government must find the resources to increase the Scottish child payment in line with other benefits.

## Build on the Scottish child payment and mitigate the two-child limit in UK benefits

The impact of the Scottish child payment is reduced for some of the families that need it most, by the two-child limit,<sup>3</sup> the benefit cap and the young parent penalty.<sup>4</sup> The ultimate responsibility for these policies lies with Westminster and we urge the UK government to abolish them at source. In the meantime, without

targeted support to mitigate these policies it will be increasingly difficult for the Scottish government to meet its child poverty targets. 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. Scottish government analysis suggests that **reversing the impact of the two-child limit would be a most cost-effective way to reduce child poverty<sup>5</sup> - CPAG analysis suggests it would cost £85m and lift over 12 000 children out of poverty.** 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.<sup>6</sup> **We urge the Scottish government to allocate the resources needed to mitigate the two-child limit and young parent penalty.**

### Cost of the school day and free school meals

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.<sup>7</sup> We welcomed the Scottish government's commitment to introduce free school meals to all primary school children by August 2022.<sup>8</sup> **The commitment to extend free school meal entitlement in P6 and P7 to children in families in receipt of the new Scottish child payment from August 2024 will mean significantly more children becoming entitled, but falls well short of the promise of universal provision.** It is hugely disappointing that there is still no revised date for delivering the promise of universal provision for all primary school pupils. In the meantime, more and more families are struggling to make ends meet yet continue to miss out on free school meals.

### Tax policy and resourcing the statutory child poverty delivery plan

We welcome the decision to reduce the income tax top rate threshold and increase the higher and top rates of income tax rates by 1%. Both these measures are welcome steps to help ensure government has the resources it needs to **deliver the investment in childcare, employment, housing and wider services that underpin the actions in the Scottish government's statutory child poverty delivery plan *Best Start, Bright Futures*.** However, it is not clear whether the resources allocated in the Scottish budget are sufficient.

**Taxation policy also needs to be kept under review to ensure sufficient resources are available to deliver on the Scottish government's priorities, legally binding child poverty commitments and human rights obligations.** 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.

CPAG's full budget briefing is available from: [cpag.org.uk](http://cpag.org.uk)

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<sup>1</sup> See our Cost of Child in Scotland report commissioned by the Child Poverty Action Group (CPAG) in Scotland from the Centre for Research in Social Policy at Loughborough University that shows the significant impact of Scottish government policies and lower childcare costs on the costs families face in Scotland.

<sup>2</sup> <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/>

<sup>3</sup> 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.

<sup>4</sup> 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.

<sup>5</sup> <https://www.gov.scot/publications/welfare-reform-report-impact-welfare-reforms-households-children/>

<sup>6</sup> 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.

<sup>7</sup> 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

<sup>8</sup> <https://www.gov.scot/news/budget-deal-secured/>