Stage 1 Debate: Budget (Scotland) Bill 2017-18 - Thursday 2 February 2017

Briefing for MSPs: A Budget to Tackle Child Poverty

As third sector, civil society and faith groups we call on MSPs to ensure the 2017/18 budget includes investment to start topping-up child benefit by £5 per week in order to reduce child poverty and tackle food insecurity.

The problem:

The scandal of child poverty continues to undermine the health, wellbeing and life chances of 220,000 children in Scotland. A report last week from the Royal College of Paediatrics and Child Health highlighted that poverty was the “biggest cause of poor health” concluding that “children living in the most deprived areas are much more likely to be in poor health, be overweight or obese, suffer from asthma, have poorly managed diabetes, experience mental health problems, and die early.”

Unless decisive action is taken child poverty in Scotland will get worse, not better. IFS (Institute of Fiscal Studies) modelling forecasts a 50% increase in child poverty across the UK by 2020. The cost of living is projected to increase by 13.5% by the end of the decade, putting unprecedented pressure on families and threatening to push many into crisis.
The Scottish Government is bringing forward a very welcome Child Poverty Bill which is expected to set a legislative target to eradicate child poverty by 2030. Urgent action to back up these targets is now needed if we are to prevent a child poverty crisis in Scotland.

How the 2017/18 budget can make a difference

New powers devolved by the Scotland Act 2016 give the Scottish Parliament a unique opportunity to use the 2017/18 budget to address child poverty in Scotland.

It can do this by ‘topping-up’ child benefit for children in Scotland by £5 per week. This move alone would result in a reduction of 14% in child poverty compared to what it would otherwise be. That means up to 30,000 fewer children facing the worry, stress and ill-health associated with growing up in child poverty.

The Scottish Government has stated that the Draft Budget 2017/18 underlies its determination to ensure Scotland’s children get the best possible start in life. Inclusion of a £5 top-up provides a golden opportunity to move one step closer to achieving that ambition.

Why top-up child benefit?

- The £5 top-up could reduce child poverty by up to 14%. This will be a vital first step towards the Scottish Government’s stated target of eradicating child poverty in Scotland by 2030.
- Child benefit is paid at a rate of £20.70 per week for the eldest child and £13.70 a week for subsequent children. Given current UK policy, the rate at which child benefit is paid will have risen by just 2% between 2010 and 2020, less than one sixteenth the projected increase in the cost of living.
- Sanctions, benefits delays and administrative errors are becoming all too common features of the UK’s social security system, driving more and more families to use food banks. Child benefit is not part of universal credit, nor is it affected by sanctions. It constitutes a stable and reliable source of income for families in turbulent times. Increasing its value could help to reduce demand for food banks in Scotland.
- It supports families in and out of work – creating no problems when parents take up work or increase their hours. This is particularly significant given that 66% of children in poverty in Scotland are living in a household where an adult works and many jobs are insecure.
- It is paid to the main carer in the household (usually the mother). This helps to make sure children’s interests are protected where there is a power imbalance within the home.

What £5 a week means to hard-pressed families

To many of us £5 a week might not seem like much, but it could make a huge difference to families struggling to make ends meet. It could cover, for example:

- Seven breakfasts of cereal, milk, fruit juice and a banana
- Over two months, a good quality winter coat
- Taking part in a school trip or out of school activity each week

How much will it cost to top-up child benefit?

Indicative costings suggest that topping up child benefit by £5 for every child in Scotland would cost £256 million per year. This is a significant investment but should be seen in the context of the
Scottish Government’s overall budget. More importantly, the Scottish Government must take into account the cost of not acting to reduce child poverty. Research conducted for CPAG found that child poverty costs the UK economy £29 billion a year in 2013\textsuperscript{iii}. The estimate includes the effects of poverty, as well as the longer term losses to the economy which result from poor children’s reduced productivity, lower educational attainment and poorer physical and mental health.

**Why should well-off families get more child benefit?**

As a universal benefit, child benefit is paid to almost all households with children, regardless of their income. This helps to ensure families experiencing in-work poverty (as well as those reliant on means tested benefits) receive a much needed income boost. It also means that some families who do not need the additional money will receive the top-up. However, the practical benefits of taking a universal approach outweigh the risks and difficulties associated with means testing. In particular, topping up means tested benefits such as universal credit or child tax credit could present the following difficulties:

- Child tax credit will soon form part of universal credit which could make it difficult to identify eligible households and the number of children within each household.
- As child tax credit is means tested, households move ‘in and out’ of eligibility as their income rises and falls. Accessing and maintaining up to date information on eligibility – and therefore avoiding under or over payment – can be complex and costly as well as being dependent on timely access to HRMC information.

**Surely benefits aren’t the only answer to child poverty?**

Of course improving access to high quality employment, removing childcare barriers, ensuring adequate pay and reducing the attainment gap are essential to addressing child poverty in Scotland in the long term. However, an adequate social security system is also vital, particularly for those families who are unable to work or have to work fewer hours by virtue of caring responsibilities, ill-health or disability.

For more information please contact Hanna McCulloch, CPAG in Scotland 0141 611 7090


\textsuperscript{ii} http://www.rcpch.ac.uk/news/rcpch-launches-landmark-state-child-health-report


\textsuperscript{v} Indicative modelling, Professor Jonathan Bradshaw and Antonia Keung, University of York, 2016. For more information see CPAG’s Briefing Paper “Options for the use of new powers to top-up benefits to reduce child poverty” available here: http://www.cpag.org.uk/content/using-scottish-governments-top-powers-detailed-briefing

\textsuperscript{vi} http://www.gov.scot/Publications/2016/12/6610/2

\textsuperscript{vii} See http://www.endchildpoverty.org.uk/images/Feelingthepinch/ECP-FeelingThePinch-final-report.pdf

\textsuperscript{viii} See for example, http://www.sociology.ox.ac.uk/working-papers/the-impact-of-benefit-sanctioning-on-food-insecurity-a-dynamic-cross-area-study-of-food-bank-usage-in-the-uk.html

Poverty and Income Inequality in Scotland in 2014/15, Table A7 In-work Poverty (relative AHC) in Scotland 1998/99 to 201/15; [Website].

Based on supermarket costs of £1.29 for 24 wheat biscuits, 99p for 4 pints of whole milk, £1.50 for 2 litres of fresh orange juice and £1.20 for 8 small bananas. Prices correct as of 30th January 2017.

Indicative modelling, Professor Jonathan Bradshaw and Antonia Keung, University of York, 2016. For more information see CPAG’s Briefing Paper “Options for the use of new powers to top-up benefits to reduce child poverty” available here: [Website].

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