

This document relates to the Child Poverty (Scotland) Bill (SP Bill 6) as introduced in the Scottish Parliament on 9 February 2017

Child Poverty (Scotland) Bill

Explanatory notes

Introduction

1. As required under Rule 9.3.2A of the Parliament's Standing Orders, these Explanatory Notes are published to accompany the Child Poverty (Scotland) Bill, introduced in the Scottish Parliament on 9 February 2017.
2. The following other accompanying documents are published separately:
 - statements on legislative competence by the Presiding Officer and the Cabinet Secretary for Communities, Social Security and Equalities (Angela Constance MSP) (SP Bill 6–LC);
 - a Financial Memorandum (SP Bill 6–FM);
 - a Policy Memorandum (SP Bill 6–PM).
3. These Explanatory Notes have been prepared by the Scottish Government in order to assist the reader of the Bill and to help inform debate on it. They do not form part of the Bill and have not been endorsed by the Parliament.
4. The Notes should be read in conjunction with the Bill. They are not, and are not meant to be, a comprehensive description of the Bill. So where a section or schedule, or a part of a section or schedule, does not seem to require any explanation or comment, none is given.

The Bill

Summary and Background

5. The Child Poverty (Scotland) Bill contains the following key elements. It:

This document relates to the Child Poverty (Scotland) Bill (SP Bill 6) as introduced in the Scottish Parliament on 9 February 2017

- Sets out four statutory income targets.
- Places a duty on Scottish Ministers to publish child poverty delivery plans, with the first plan covering the 3 year period from 1 April 2018 and two further plans each covering a 5 year period, and to report on those plans annually.
- Places a duty on local authorities and health boards to report annually on activity to contribute to reducing child poverty.

Commentary on sections

Section 1 – Child Poverty Targets

6. Section 1 places a duty on the Scottish Ministers to ensure that four child poverty targets are met during the financial year beginning with 1 April 2030, and sets out what those targets are.

7. Subsection (1) places a duty on the Scottish Ministers to ensure that the child poverty targets set out in subsection (2) are met in the financial year beginning with 1 April 2030.

8. Subsection (2) sets out what the targets are for children living in households in Scotland. Subsection (2)(a) sets out a target of less than 10% of children falling within section 2 as living in relative poverty; subsection (2)(b) sets out a target of less than 5% of children falling within section 3 as living in absolute poverty; subsection (2)(c) sets out a target of less than 5% of children falling within section 4 as living in combined low income and material deprivation; and subsection (2)(d) sets out a target of less than 5% of children falling within section 5 as living in persistent poverty.

Section 2 – Relative poverty

9. Section 2 provides that a child falls within the section (relative poverty) if the child lives in a household whose equivalised net income for the year is less than 60% of the median equivalised net household income for the United Kingdom for the year (see section 6(2) which defines “median equivalised net household income” as median equivalised net household income for the United Kingdom).

10. The relative poverty target is a recognition that individual and household needs are relative to societal standards of living. Children are considered to be in relative poverty if they are living in households whose combined income is below 60% of median UK household income, calculated

This document relates to the Child Poverty (Scotland) Bill (SP Bill 6) as introduced in the Scottish Parliament on 9 February 2017

in the same year. Note that the poverty threshold for all four child poverty targets is adjusted (equivalised) to take household size and composition into account.

Section 3 –Absolute poverty

11. Section 3 provides that a child falls within the section (absolute poverty) in a financial year if the child lives in a household whose equivalised net income for the year is less than 60% of the amount of median equivalised income for the financial year beginning on 1 April 2010, adjusted so as to take account of changes in the value of money. Subsection (2) sets out the power of the Scottish Ministers to change the date referred to in subsection (1) (currently 1 April 2010). Subsection (3) states that regulations under subsection (2) are subject to the negative procedure.

12. The absolute poverty target enables an assessment of whether living standards at the bottom of the income distribution are rising or falling over time. It is a measure of whether the incomes of the lowest income households are keeping pace with inflation. The baseline for the absolute poverty measure is currently the financial year beginning on 1 April 2010. The reason for this is to allow a ten year comparison between the base year and the 2020 target year which was originally set out in the Child Poverty Act 2010. Children are considered to be living in absolute poverty if they are living in households whose adjusted income is below 60% of the (inflation adjusted) median income in 2010/11.

Section 4 – Combined low income and material deprivation

13. Section 4 provides that a child falls within the section (combined low income and material deprivation) if the child: (a) lives in a household whose equivalised net income for the year is less than 70% of median equivalised net household income for the year; and (b) experiences material deprivation in the year.

14. The combined low income and material deprivation target assesses whether households can afford essential goods and services. The Scottish Government uses the questions in the Family Resources Survey about whether people can afford to buy certain items and participate in leisure or

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social activities¹ to calculate material deprivation. This measure is then applied to households with incomes below 70 per cent of UK median income in the same year. Households which, for example, need to spend a greater proportion of their income on health or education costs, or on servicing debts, are less likely to be able to access the essentials identified on the list of items used for measuring material deprivation.

Section 5 – Persistent poverty

15. Section 5 provides that a child falls within the section (persistent poverty) in a financial year if the child lived in a household in Scotland in each of the current calendar year and 3 previous calendar years (see the definition of “survey years” in subsection (2)) and also has lived, in at least three of those years, in a household whose net income for the year was less than 60% of median equivalised net household income for the year.

16. The persistent poverty target is a recognition that living in poverty for an extended period of time is likely to be more damaging than brief periods in poverty. This target also makes sure that the set of child poverty targets are not a snapshot of income at one time only.

Section 6 – Calculation of net household income

17. Section 6 provides detail as to how net household income is calculated. Section 6(1) provides that housing costs are to be deducted in calculating the net income of a household. This represents a departure from the position taken in the UK Child Poverty Act 2010. Section 7(2) of that Act provided that housing costs were not to be deducted in calculating net household income. Setting the targets on an after housing costs basis measures the disposable income households have once they have paid their housing costs.

18. Subsection (2) defines what is meant by “equivalised” – which is that household income has been adjusted to take account of variations in household size and composition. Subsection (2) also defines “median

¹2011 Review of the child material deprivation items in the Family Resources Survey:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/214520/rrep746.pdf

This document relates to the Child Poverty (Scotland) Bill (SP Bill 6) as introduced in the Scottish Parliament on 9 February 2017

equivalised net household income” as the median equivalised net household income for the United Kingdom.

Section 7 – Delivery plan

19. Section 7 sets out provisions relating to the requirement on the Scottish Ministers to prepare delivery plans relating to the child poverty targets within the Bill. Subsection (1) states that the Scottish Ministers must prepare plans for the periods: (a) 1 April 2018 to 31 March 2021; (b) 1 April 2021 to 31 March 2026; and (c) 1 April 2026 to 31 March 2031.

20. Subsection (2) states that a delivery plan must set out the measures that the Scottish Ministers propose to take during the period of the plan in order to meet the child poverty targets. Subsection (3) provides that the delivery plan may also include other information about child poverty, as the Scottish Ministers consider appropriate. Subsection (4) sets out a requirement on the Scottish Ministers to (a) lay the plan before the Scottish Parliament and (b) publish the plan as soon as reasonably practicable after preparing a delivery plan, and before the beginning of the period of the plan.

21. Subsection (5) places requirements on the Scottish Ministers that, in preparing a delivery plan, they must consult (a) such local authorities, or associations of local authorities, (b) such persons and organisations working with or representing children; (c) such persons and organisations working with or representing parents and (d) such other persons, all as they consider appropriate.

Section 8 – Progress report

22. Section 8 sets out provisions relating to the requirement on the Scottish Ministers to prepare progress reports on an annual basis. Subsection (1) states that, as soon as reasonably practicable after the end of each year to which a section 7 delivery plan relates, the Scottish Ministers must prepare a report on progress made during that year (a) towards meeting the child poverty targets and (b) in implementing the delivery plan that applies during the year. Subsection (2) highlights that the progress report must (a) describe the measures taken by the Scottish Ministers in accordance with that delivery plan and (b) describe the effect of those measures towards meeting the child poverty targets.

This document relates to the Child Poverty (Scotland) Bill (SP Bill 6) as introduced in the Scottish Parliament on 9 February 2017

Section 9 – Final report

23. Section 9 sets out provisions relating to the requirement set out at section 8(1) on the Scottish Ministers to produce a final progress report, for the financial year beginning 1 April 2030 at the end of the reporting period for the targets. Subsection (2) sets out that the report must include data on the percentage of children living in households in Scotland in that year (a) in relative poverty (see section 2), (b) in absolute poverty (see section 3), (c) in combined low income and material deprivation (see section 4) and (d) in persistent poverty (see section 5).

24. Subsection (3) states that whether or not the child poverty targets are deemed to have been met will be determined by reference to the percentages given in the report against the different measures mentioned in section 9(2). Subsection (4) sets out a requirement for the final report to explain, where any of the child poverty targets have not been met, why this is the case.

Section 10 – Local child poverty action report

25. Section 10 sets out provisions relating to the requirement to produce annual local child poverty reports. Subsection (1) places a duty on each local authority and the health board or boards for all or part of the local authority area, acting jointly, to prepare and publish a report termed a “local child poverty action report” as soon as reasonably practicable after the end of each year to which a section 7 delivery plan relates. Subsection (2) requires that the action reports must describe any measures taken by the local authority or the health board(s) in each local authority area during the year to contribute to the meeting of the child poverty targets.

26. Subsection (3) provides definitions of terms used in section 10.

Section 11 – Meaning of “child” and “child poverty targets”

27. Section 11 defines, for the purposes of the Act, “child” as (a) a person aged under 16 or (b) a person who can be defined as a qualifying young person under Part 9 of the Social Security Contributions and Benefits Act 1992 i.e. a qualifying young person for the purpose of receipt of Child Benefit under that Act. This is currently defined in regulations made under that Act. In summary, a “qualifying young person” is currently defined for the purposes of that Act as meaning a person who has not yet reached 20 years of age (other than a “child” under that Act) and who is in “relevant education”

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or “approved training” under that Act². Section 11 also defines “child poverty targets” as being those set out at section 1(2) of the Act.

Section 12 – Commencement

28. Section 12 sets out the timescales for the commencement of different provisions within the Bill. Subsection (1) provides for sections 11 to 13 to come into force the day after Royal Assent is granted. Subsection (2) provides that all other provisions within the Act will come into force two months after the day on which Royal Assent is granted.

Section 13 – Short title

29. Section 13 provides for the short title of this Act to be the Child Poverty (Scotland) Act 2017.

² For further details see: <https://www.gov.uk/child-benefit-16-19>

This document relates to the Child Poverty (Scotland) Bill (SP Bill 6) as introduced in the Scottish Parliament on 9 February 2017

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