

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

Financial memorandum

Introduction

1. As required under Rule 9.3.2 of the Parliament's Standing Orders, this Financial Memorandum is published to accompany the Child Poverty (Scotland) Bill ("the 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);
 - Explanatory Notes (SP Bill 6–EN);
 - A Policy Memorandum (SP Bill 6-PM).
3. This Financial Memorandum has been prepared by the Scottish Government to set out the costs associated with the measures introduced by the Bill. It does not form part of the Bill and has not been endorsed by the Parliament. The Policy Memorandum explains in detail the background to the Bill and the policy intention behind the Bill.

Background

4. The Child Poverty (Scotland) Bill contains the following key elements. It:
 - Sets four statutory income targets.
 - Places a duty on the 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.

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

Proposals

5. The Bill sets out four statutory, income-based targets to be achieved by 2030:

- Less than 10% of children are in relative poverty.
- Less than 5% of children are in absolute poverty.
- Less than 5% of children are in combined low income and material deprivation.
- Less than 5% of children are in persistent poverty.

6. The Scottish Government's long-term ambition is to eradicate child poverty. The UK Government's austerity programme and the economic uncertainty caused by the EU Referendum result make this an increasingly difficult challenge. The Scottish Government also recognise that many of the necessary levers for change are not devolved under the current constitutional settlement. Nevertheless, the Scottish Government will set a bold direction of travel, by setting targets that are stretching and ambitious, but realistic, to ensure that all parties can sign up to playing a part in achieving them.

7. These four measures are well known and understood amongst stakeholders, and retaining them provides a degree of continuity. These measures were chosen following extensive consultation and were designed to complement each other, with each capturing different aspects of poverty.

8. The targets are set on an after housing costs (AHC) basis; AHC measures the disposable income households have once they have paid their housing costs.

9. Setting a target date of 2030 to meet the proposed set of AHC targets is clearly challenging. However, a 2030 target date aligns with the Fairer Scotland Action Plan¹ and other Scottish Government action including taking forward the recommendations of the Widening Access Commission², which itself sets 2030 targets. There is a wide range of activity already in train, and planned for the future, which takes the Scottish Government in the right direction. The Scottish Government want to build on that to develop a wide-ranging, cross-government approach to reducing poverty.

¹ <http://www.gov.scot/Resource/0050/00506841.pdf>

² <http://www.gov.scot/Resource/0049/00496535.pdf>

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

Crucially, a 2030 timeframe would provide an opportunity to fully implement a long-term, comprehensive and sustainable Child Poverty Delivery Plan.

10. Of course, the Scottish Government appreciates that there are a wide range of drivers of poverty. That is why the Bill sets out duties on the Scottish Government to publish detailed delivery plans and to report annually on progress. The delivery plans and annual reporting will be based on the Scottish Government's existing, widely supported measurement framework³, which contains a detailed set of indicators to sit underneath these ambitious headline targets. The measurement framework captures the wide range of drivers and impacts that poverty has on the lives of children and their families. It is based around three key themes: pockets (maximising household incomes), prospects (boosting life chances) and places (building sustainable high quality places in which to grow up).

11. Success of the delivery will be measured against these indicators and progress towards reductions in child poverty should be evident through this data. This will allow the Scottish Government to look strategically at interventions and target action accordingly.

Costs on the Scottish administration

12. The Scottish Government will need to cover staff costs associated with developing a delivery plan once in the initial three year period and then two further plans each covering a five year period and to report on an annual basis. However, these costs are not expected to be significantly different to the status quo. Under the UK Government's Child Poverty Act 2010, the Scottish Government was required to publish a Child Poverty Strategy every three years and to report on it annually. This statutory requirement has now been removed. The Bill requirement, which effectively replaces the UK requirement, is less resource-intensive in terms of intervals between strategies (under the 2010 Act) and delivery plans (as per the Bill).

13. The costs associated with annual reporting and delivery plans will be met from existing Scottish Government budgets. As outlined above these requirements were previously in place and have been maintained. Therefore resource is already in place to meet these requirements. As the

³ <http://www.gov.scot/Resource/0044/00445863.pdf>

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

Bill will impose an obligation on the Scottish Government to undertake these measures the costs have been outlined below. Under prior arrangements a child poverty strategy was published every three years. Owing to the more complex nature of the delivery plan the cost at each interval will likely be higher, but will be offset by the reduction in the number of publications. The indicative staff costs outlined below are based on average gross staff costs in 2015/16 and inflated to 2018/19 prices as this is the first year that a delivery plan and annual reporting is required. The figures have been inflated using HM Treasury guidance for adjusting expenditure to reflect general inflation.⁴

14. The preparation of the delivery plan will account for 0.4 Full Time Equivalent (FTE) Scottish Government officials in the year immediately preceding publication of a delivery plan. Time across the course of the year will be distributed, accounting for approximately one day each week for two officials; however it is envisaged that a greater percentage of time will be spent on preparation of the delivery plan as the publication date approaches, therefore this figure will be an average over the course of the year.

Staff Costs For Preparation of Delivery Plan				
Staff Resource Required	Period of time resource required	Scottish Government area implicated	Total Staff Cost Per Delivery Plan	Total Cost to SG over course of Bill period
0.4	12 months per Delivery Plan	Social Justice Policy	£21,673	£65,019

15. The preparation of the annual report will account for 0.4 FTE Scottish Government officials in the two months immediately preceding publication to include policy narrative in the report. Analytical support will be required

⁴ <https://www.gov.uk/government/collections/gdp-deflators-at-market-prices-and-money-gdp>

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

at the rate of 0.2 FTE for four months prior to publication plus an additional 0.2 FTE for two months prior to publication. As the first annual report for the Bill will likely be in 2019 this will lead to costs for thirteen annual reports.

Staff Costs For Preparation of Annual Reports				
Staff Resource Required	Period of time resource required	Scottish Government area implicated	Total Staff Cost Per Annual Report	Total Cost to SG over course of Bill period
0.4	2 months	Social Justice Policy	£3,615	£46,996
0.2	4 months	Analytical Support	£5,761	£74,888
0.2	2 months			

16. In terms of the costs of publishing the delivery plan and annual reports, publication costs for existing child poverty annual reports have been in the range of £2,000 per report over the last few years. That would therefore suggest annual expenditure at about this level, adjusted for inflation, over the period to 2030/2031. In addition, there would be three delivery plans published over this period, costs for which would need to be covered. Based on the publication costs for the most recent child poverty strategy (published in 2014), the Scottish Government would expect the publication costs of a delivery plan to be in the range of £5,000. Producing three plans, with the first plan covering the 3 year period from 1 April 2018 and two further plans each covering a 5 year period over the life of the Bill through to 2030/2031, would therefore suggest a maximum expenditure of £15,000, adjusted for inflation.

17. In terms of data costs, the Scottish Government will incur no additional costs as data on child poverty relating to the targets is already collected. The Scottish Government already publishes annual poverty statistics across three of the four indicators and had, previous to the Bill, committed to publish persistent poverty data as soon as practicable. There are, therefore, no additional costs from making these indicators available

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

on an annual basis: this is a standard part of government business that would continue whether the Bill were being introduced or not.

18. The Scottish Government will continue to work with the Department for Work and Pensions (DWP), and pay for the Scotland sample boost. This is an on-going cost. The Scottish Government has been contributing financially to the Family Resources Survey since 1994/95 (when the first Scotland level data is available). There is no expectation that this situation would change – that is to say that the data collection and publication is on-going regardless of the Bill. The Scottish Government works with the DWP on the survey, as part of a number of associated working groups. These statistics are already published by Scottish Government as official statistics, and will continue to be in the future. So there is no additional cost to the Scottish Government for producing these. There is some risk of additional costs in future if methodology differs between Scottish Government and DWP; however the Scottish Government is keen to ensure methodology is consistent for comparability. The Scottish Government also has input on methodology as part of the working groups should change be required.

19. Scottish Government poverty statistics – both before and after housing costs – are high quality statistics. They are labelled as National Statistics, so comply with the Code of Practice for Official Statistics. They are published annually, sourced from the Family Resources Survey, from which the Households Below Average Incomes dataset is drawn. This is the favoured dataset for official low income estimates, and is used by both Scottish Government and DWP for this purpose.

20. In terms of providing a cost for delivering the targets, the range of Scottish Government policies and programmes will be expected to contribute towards this end. Key policies and proposals will need to be set out in each delivery plan over the period to 2030. An ‘indicative overall cost’ for meeting the targets is therefore not available. Decisions will need to be made about the allocation of resources across government and local authorities and the monitoring and reporting requirements set out in the Bill will inform those decisions.

21. Poverty has significant costs for the economies of Scotland and the wider UK, which further emphasises the importance of action to address it. Analysis from Joseph Rowntree Foundation (JRF) has found that in 2013, the total cost of child poverty in the UK was £29 billion. About half of these

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

costs were thought to arise from the fact that adults who grew up in poverty have lower productivity and a higher risk of unemployment, which impact on economic growth. The other half of the costs arise from the additional public spending needed to deal with social problems arising from child poverty. Therefore, a preventative approach to tackling poverty effectively and preventing children in poverty from growing up into poor adults could generate a range of savings. Building on the JRF analysis of the total cost of poverty in the UK, the pro rata estimate of the annual total cost of child poverty in Scotland in 2013 was £2.39 billion.

22. A caveat to accompany this analysis is that the figures presented above are only an indication of cost and mainly serve as contextual information rather than financial evidence. The researchers themselves note that the costs of child poverty cannot be measured precisely, and these costs, if true, would not disappear immediately if poverty was eradicated. However, as stated by JRF in a 2008 report⁵ “From an economic perspective, reducing child poverty is a fiscal investment; producing higher GDP, reducing expenditure on crime and healthcare and lowering the costs borne by victims of crime and those in poor health.” These figures give an indication of the scale of the cost of not meeting these targets.

Costs on local authorities

23. The Bill will require local authorities and health boards to report on an annual basis on activity being undertaken to reduce child poverty levels. The Scottish Government will work with local authorities and health boards to produce guidance on how the reporting should operate, and would expect Community Planning Partnerships to be a useful vehicle by which to co-ordinate this work.

24. It is not expected that this annual report will create a significant additional burden on local authorities or health boards, many of whom already undertake annual reporting on child poverty. However, in recognition of the additional staff time that may be required to collate and present this information, estimates are included below based on a member of staff at managerial level spending approximately one month per year

⁵ <https://www.jrf.org.uk/report/costs-child-poverty-individuals-and-society-literature-review>

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

developing the report. It is expected that local authorities and health boards will make this information available online. There are therefore no significant publication or design costs anticipated in relation to the annual report.

25. In order to calculate staff costs for local authorities, an estimated salary at team leader level of approximately £57,006 has been used. Divided by 12 to equate to a month's worth of work, and then multiplied by 32 to cover each local authority, this would give an overall figure of around £152,016.

Costs on other bodies, individuals and businesses

26. In relation to health boards, the starting point of the Band 7 salary has been used to estimate staff costs, based on the understanding that Band 6 or 7 is a team leader equivalent. This equates to an annual salary of £31,696. Divided by 12 to equate to a month's worth of work, and then multiplied by the number of health boards, this gives a figure of around £36,979 per year.

27. There are no inherent costs on other bodies, individuals or business arising from the provisions of the Bill.

Summary of costs arising from the Bill

Costs on the Scottish Administration – delivery plans	£21,673 total staff cost per delivery plan £5,000 publication cost per delivery plan
Costs on the Scottish Administration – annual reports	£9,376 per annual report £2,000 per annual report
Costs on local authorities	£152,016 annually
Costs on health boards	£36,979 annually
TOTAL	£227,044

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

Financial memorandum

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website -

www.parliament.scot

Produced and published in Scotland by the Scottish Parliamentary Corporate Body.

All documents are available on the Scottish Parliament website at:

www.parliament.scot/documents