



House of Commons
Scottish Affairs Committee

**Poverty in Scotland
and Child Poverty in
Scotland: Responses by
the Government and
the Scottish Executive
to the Committee's
Second and Third
Reports of Session
2007–08**

**Second Special Report of Session
2007–08**

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The Scottish Affairs Committee

The Scottish Affairs Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Scotland Office (including (i) relations with the Scottish Parliament and (ii) administration and expenditure of the office of the Advocate General for Scotland (but excluding individual cases and advice given within government by the Advocate General)).

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The Reports and evidence of the Committee are published by The Stationery Office by Order of the House. All publications of the Committee (including press notices) are on the Internet at www.parliament.uk/scotaffcom. A list of Reports of the Committee in the present Parliament is at the back of this volume.

Committee staff

The current staff of the Committee are Dr Sue Griffiths (Clerk), Jyoti Chandola (Second Clerk), Duma Langton (Committee Assistant), Karen Watling (Secretary), Becky Crew (Secretary) and Nicola McCoy (Secretary).

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Second Special Report

The Scottish Affairs Committee published its Second and Third Reports of Session 2007–08 on 17 December 2007¹ and 4 February 2008² respectively. We have received a memorandum from both the Scotland Office and the Scottish Executive containing responses to both Reports. The memoranda are published without comment as appendices to this Report.

1 Second Report from the Scottish Affairs Committee, Session 2007–08, *Poverty in Scotland*, HC 128

2 Third Report from the Scottish Affairs Committee, Session 2007–08, *Child Poverty in Scotland*, HC 277

Appendix 1

Letter to the Chairman of the Committee from the Minister of State, Scotland Office

I enclose the Government's response to the Scottish Affairs Committee's two reports on their inquiry into poverty in Scotland—*Poverty in Scotland* and *Child Poverty in Scotland*.

I am grateful for the Committee's inquiry and I welcome the Committee's ongoing interest in this important matter.

David Cairns

Minister of State, Scotland Office

31 March 2008

Memorandum submitted by the Scotland Office

Introduction

1. The Government welcomes the Second and Third Reports of the Scottish Affairs Select Committee session 2007–08 on Poverty in Scotland and Child Poverty in Scotland. The Committee has identified a number of issues which it believes need to be addressed; the Government is equally concerned to ensure that bodies within and outside Government work together to build on the progress already made in tackling poverty in Scotland.
2. Compared to 1997, across the UK, there are now 3 million more people in employment and 600,000 fewer children living in poverty. Over 1.85 million jobs have been found through the New Deal programmes. The lone parent employment rate has risen dramatically by over 12 percentage points and the number of people claiming incapacity benefits has now started to fall after rising through the 1980s and 90s. The Department for Work and Pensions (DWP) will also be spending over £11 billion more on pensioners in 2007/08 than it would have if 1997 policies had continued. Around half this extra spending—just over £5 billion—is going to the poorest third of pensioners.
3. During this period Scotland has seen greater progress than the rest of the UK. From having a lower employment rate, Scotland now has an employment rate 2.0 percentage points higher than the UK average. The number of lone parents on benefit across the UK has fallen by 19 per cent but in Scotland the number has fallen by 27.7 per cent. Between 1998/99 and 2005/06, the proportion of children in relative low income³ in Scotland fell from 28 per cent to 21 per cent, a fall of 90,000, and is now lower than the UK average.⁴

3 Before housing costs.

4 DWP will publish poverty estimates for 2006-07 in the next *Households Below Average Income* report in spring 2008. This is a National Statistics publication, and the date of publication will be announced in line with National Statistics protocols.

Over the same period the proportion of pensioners in relative low income⁵ in Scotland fell from 27 per cent to 16 per cent, a fall of 80,000 and also lower than the UK average.

4. The UK Government has a good working relationship with the Scottish Executive and this continuing good relationship is vital to make progress on our shared goal—to eradicate poverty in Scotland.

5. Budget 2008 set out the next steps, including measures that will make significant further progress towards the target of halving child poverty by 2010. The measures announced in Budget 2008 will lift up to a further 250,000 children out of poverty. Including the reforms announced in Budget 2007 and the 2007 Pre-Budget Report and Comprehensive Spending Review, measures announced in the last year will lift a total of over 500,000 children out of poverty.

6. *Ending child poverty: everybody's business*,⁶ which was published alongside the Budget, sets out the further steps that the Government will take to tackle poverty during the next decade including new pilots and further areas of work that will help develop the strategy for 2020.

7. In December 2007 DWP published measures for the next stage of welfare reform, *Ready for Work: full employment in our generation*,⁷ helping even more people to move into work and out of poverty. DWP will work with the Scottish Executive as it brings forward reforms.

Poverty in Scotland — Conclusions and Recommendations

1. We recommend that the Government should review its preferred measure of poverty (currently set at those with household incomes below 60% of the median). The poverty line should represent a minimum adequate income. If necessary, further independent research should be commissioned to determine a realistic minimum income standard. (Paragraph 15)

8. The three indicators the Government uses to measure child poverty (absolute low income, relative low income, and material deprivation and low income combined) were developed following extensive consultation including work with academics, stakeholders and with parents and children about their views on what poverty meant to them. The headline indicator, which measures the number of children in households with less than 60 per cent of median income Before Housing Costs (BHC), is an established measure used across Europe and internationally.

9. As the Government has already conducted a consultation on the preferred measure of poverty and the current measure is the internationally accepted standard, the Government does not feel that it would be appropriate to change this measure again at this time. However it is the subject of regular review.

5 After housing costs

6 www.hm-treasury.gov.uk/media/3/F/bud08_childpoverty_1310.pdf

7 Department for Work and Pensions, *Ready for work: full employment in our generation*, Cm 7290, December 2007

2. Our evidence suggests, and we agree, that in many cases, measures of poverty taken after housing costs present a much more accurate picture of disposable income and hence of a household's living conditions. We therefore recommend that the Government should continue to publish both BHC and AHC measures of poverty, but that it should prioritise AHC measures in most cases. (Paragraph 18)

10. The Government agrees that it is important to look at both before and after housing costs measures of poverty and will continue to publish both measures in *Households Below Average Income* and as *Opportunity for all* indicators, and monitor progress on both measures.

11. The Government's preferred measure for children is BHC. The headline indicator, which measures the number of children in households with less than 60 per cent of median income, is an established measure which is used across Europe and internationally.

12. For pensioners, the Government's preferred measure is After Housing Costs (AHC). The Government has adopted an indicator based on low income thresholds AHC for the 'Later Life' Public Service Agreement (PSA) as this better reflects pensioners' living standards. The majority of pensioners own their homes outright and so receive value from housing whilst not having to pay for it out of their current income. This is different to the current working age population and to the situation for pensioners in the past. Considering pensioners' incomes compared to others after deducting housing costs allows for more meaningful comparisons of income and welfare between working age people and pensioners, and between pensioners over time.

3. Although the SIMD only influences a small amount of funding, there is a perception within some rural areas of Scotland that reliance on the SIMD does not properly capture the extent of poverty in rural areas. There is a clear need for improved measures of poverty in rural areas of Scotland in order accurately to assess the extent of poverty in these areas. (Paragraph 21)

13. The Scottish Index of Multiple Deprivation, and any associated funding streams, is the responsibility of the Scottish Executive. We have highlighted this recommendation to the Scottish Executive.

4. We recognise that progress has been made in reducing poverty, particularly amongst groups such as children and pensioners, which have been the subject of high profile Government targets. This is to be welcomed. We are concerned, however, that the benefits of Government measures should be felt by all those living below the poverty line, including adults of working age. The evidence we have received suggesting that many working age adults alternate between poverty and low incomes is particularly worrying in this regard, and suggests that sustainable routes out of poverty have not been made available to all. (Paragraph 27)

14. The Government welcomes the Committee's acknowledgement of progress. Full employment is at the heart of the strategy to achieve an inclusive, cohesive and prosperous society with fairness and social justice for all at its core.

15. The Government is aiming for an employment rate of 80 per cent. This will help to combat poverty and enable Britain to take the opportunities that the global economy

presents. Significant progress has already been made with the introduction of a series of radical welfare reforms to improve opportunities for people to work.

16. However the Government acknowledges that more remains to be done and agrees that support is required for retention and advancement in work. It is not just jobs that are required but jobs that pay and offer opportunities for progression. In emphasising sustainability and progression in work the Government has to ensure that all those who need help to develop skills have access to support. As education is a devolved matter, DWP has been working with the Scottish Executive to help facilitate the right skills support to meet the needs and particular circumstances of individuals in Scotland.

5. Co-ordination with the Scottish Executive is needed to ensure that national policies are delivered effectively and 'join up' with devolved programmes. The Scotland Office has a key role in this process. Conversely, the Scottish Executive needs to ensure that its own programmes dovetail with national provision. (Paragraph 28)

17. Good working relationships between UK Government departments and the Scottish Executive are vital to the public interest and the effectiveness of government in Scotland and the UK. The Scotland Office works hard to ensure that reserved policies which help tackle poverty reflect the Scottish context, during both their formulation and implementation. The Scotland Office also liaises with the Scottish Executive on relevant work, and is actively involved in liaison between UK Government Departments and the Scottish Executive where deemed appropriate.

18. A Concordat is in place between DWP and the Scottish Executive for consultation, exchange of information, finance, access to services, resolution of disputes, and review of relations.

19. The UK's National Action Plan (NAP) on social inclusion⁸ sets out a strategy which reflects the wide range of government and non-government organisations which contribute to tackling poverty and social exclusion. Devolved administrations and local authorities have a key role to play in developing the NAP and the Scottish Executive has played a leading role in this development.

20. DWP and the Scottish Executive alert each other as soon as practicable, to proposals for new policy initiatives and changes to existing policies where there is a direct or indirect impact on the other's areas of responsibility. They also work together in key UK forums including the British-Irish Council: the social inclusion strand of this group is led by the Scottish and Welsh administrations.

6. We recommend that the Government should consider whether greater flexibility could be given to local government in the provision of services aimed at reducing poverty. Whilst there are serious issues in providing different services to UK citizens living in adjacent areas, local authorities that have achieved good results in this area should be rewarded. We are particularly concerned by perceptions that the relationship between Scottish local government, the UK Government and Members of the UK

8 See www.dwp.gov.uk/publications/dwp/2006/nap/

Parliament has weakened since devolution. We urge all sides to work together to renew links. (Paragraph 38)

21. The Government agrees with the Committee that there is a need for local flexibility. Targeting areas of high worklessness by devolving and empowering communities is one of the DWP's five principles of welfare reform. DWP is committed to working closely with local government and its partners in Scotland to increase employment rates, particularly in disadvantaged groups and areas, reduce poverty and encourage social inclusion.

22. In spring 2005 DWP, the Scottish Executive, and the Convention of Scottish Local Authorities (CoSLA) signed a Partnership Accord which set out the basis for building on and improving the collaborative working in Scotland to help the hardest to reach into work. It was also aimed at helping to achieve the Scottish Executive Closing the Opportunity Gap objective of 'increasing the chances of sustained employment for vulnerable and disadvantaged groups—in order to lift them permanently out of poverty.'

23. DWP also hosts a twice yearly Strategic Forum which gives the opportunity for the Department and Local Government Associations in Scotland, England and Wales to discuss the big issues of the day and for local government to influence policy development.

24. In the January 2006 Green Paper, *A new deal for welfare: Empowering people to work*,⁹ DWP announced its City Strategy. 15 Pathfinder Consortia—including those in Glasgow, Edinburgh and Dundee—were given the chance to demonstrate that they could contribute to a significant improvement in the working age employment rate in their localities through close partnership working, pooling or aligning funding, and more flexible working. Each Consortium includes representation from local government, and has been given a share of DWP's Deprived Area Fund to manage and the opportunity to benefit from a small reward fund. Pathfinders have been granted a number of flexibilities to help improve the delivery of their employment outcomes and participate in a DWP funded Learning Network.

25. DWP is currently working closely with the Scottish Executive to establish the feasibility of the Deprived Area Fund being paid through Community Planning Partnerships in return for improved employment outcomes in some of Scotland's most deprived areas. This could involve a discussion about ways of rewarding good performance.

7. It is essential that the UK Government should produce a national poverty strategy to co-ordinate the cross-cutting issues inherent in issues of multiple deprivation. (Paragraph 40)

26. The Child Poverty Review in July 2004 set out the Government's strategy for eradicating child poverty. This was agreed after consultation across government, and with the voluntary and academic sectors.

27. The Government believes that to eradicate child poverty by 2020 requires a renewed drive on child poverty for the next decade: this needs to draw on new ideas and approaches

9 Department for Work and Pensions, *A new deal for welfare: Empowering people to work*, Cm 6730, January 2006

to ensure sustainable progress is made, improving children's life chances for the longer term. *Ending child poverty: everybody's business*, which was published alongside Budget 2008, set out the new approach the Government will pilot and further areas of work that will help develop the strategy for 2020. The Government believes that it cannot achieve these objectives alone and that ending child poverty requires a sustained national, regional and local effort involving devolved administrations, across all agencies, service providers and professionals and including communities and business. *Ending child poverty: everybody's business* sets out the beginnings of a contract: a pledge that all parts of society will do their bit to tackle this blight on children, communities and future prosperity.

28. DWP and the Department for Children, Schools and Families (DCSF) have announced the creation of the Joint Child Poverty Unit. This Unit brings together the child poverty policy officials and analysts in the two departments, along with a secondee from Barnardos, to provide a coordinated and focused approach to meeting the Government's ambitions to eradicate child poverty.

29. The Unit will be meeting regularly with their counterparts in the Devolved Administrations through the Four Countries Policy Forum. The aim of the meetings is to share understanding, data and good practice, and to drive forward a UK child policy strategy. The Forum had its first meeting on 22 January 2008.

30. The UK's NAP, as mentioned in paragraph 19 above, forms part of the European strategy for making a decisive impact on poverty and focuses on engaging across government and with people outside government to develop a coherent position across the UK. Central to this approach is the participation of people experiencing poverty, but the engagement of local and devolved levels of government is also vital.

8. We commend the Get Heard project and urge the Government to ensure that all policy on poverty is informed by the views of those living on low incomes. (Paragraph 41)

31. The Get Heard project helped the Government to gather the views of people in poverty before putting together the 2006 National Action Plan on Social Inclusion (NAP). Overall, 146 workshops were held across the UK (45 in Scotland) giving hundreds of people living in poverty the chance to give their views on which anti-poverty policies work, which do not work, and what policy changes they would like to see the government make.

32. The next edition of the NAP will be produced this year: publication is expected in the autumn. A key milestone was a seminar to initiate the consultation process in the spring (involving various Government departments and stakeholders). This was held on 17 March. The DWP now intends to follow the previous development processes and engage across Government through a project board that will oversee the process of drafting the report.

9. We welcome the increase in employment levels over the past ten years, which has greatly contributed to a reduction in poverty. However, unless barriers such as disability, employer attitudes to disability and unaffordable childcare are tackled, employment levels cannot continue to rise at the same rate. Even then, work will never be a realistic prospect for some people, for example, those with full-time carer

responsibilities. These people must be lifted out of poverty through the benefits system. (Paragraph 48)

33. The Government continues to target the provision of extra resources on people who are at the greatest risk of poverty, including disabled people and their carers as well as pensioners and children.

34. However, in providing extra money the Government must be careful not to reduce incentives to work. Many of the most disadvantaged people are able to work if given appropriate support, and work remains the best and most sustainable route out of poverty.

35. The Government has a range of programmes and services to support disabled people into employment which operate across the UK. These include Pathways to Work, the New Deal for Disabled People, WORKSTEP, Work Preparation and Access to Work.

36. From October 2008, Employment and Support Allowance (ESA) replaces Incapacity Benefit for new customers. ESA builds on the success of Pathways to Work, bringing rights, responsibilities and opportunities to people who need them most by asking them to engage with us and work towards their ambitions. However, recognising that for some people moving into work will be particularly difficult, the Government has committed to an additional payment within the benefit to be paid to those with the most severe barriers to work.

37. Policy for childcare is a devolved matter; the Scottish Executive has the responsibility to ensure that appropriate provision and support is available to help parents move into work.

10. The tax and benefits system must, at a minimum, ensure that no-one in full time work is living in poverty. (Paragraph 55)

38. Work remains the surest route out of poverty and, for many families, a move into full-time work will be sufficient to lift the household out of poverty, and will have wider benefits beyond just increased income. The tax and benefit system provides financial and material support to assist families while maintaining incentives to work. From October 2008, the minimum wage (adult rate) will provide, with Working Tax Credits and other benefits, a guaranteed income of at least £292 per week for families with one child and one full time worker.

39. From autumn 2008, the Government will be piloting the new Better Off In Work Credit to ensure that everyone who has been claiming benefits for at least 6 months sees a gain from working of at least £25 per week.

11. The Government needs to make enforcement of the minimum wage a priority and institute stronger penalties for non-compliance. (Paragraph 56)

40. The Government is committed to simple, effective National Minimum Wage (NMW) enforcement which supports workers and businesses by deterring non-compliant employers from underpaying their workers and removing the unfair competitive advantage that underpayment can bring.

41. In 2006/07 the Government helped to restore £3 million in arrears to over 14,000, workers and has also increased the enforcement budget for the NMW by £2.9 million. In

addition, the Employment Bill, introduced into Parliament in December 2007, contains provisions to strengthen the enforcement regime of the NMW. The Bill introduces a fairer method of calculating arrears of the NMW, that takes into account the length of time that arrears have been outstanding, and an automatic penalty of up to £5,000 for employers who do not comply with the NMW. It also increases the sanctions that are available for the most serious cases where criminal offences have been committed under NMW legislation.

12. We urge the Government to investigate the problem of low wages amongst public sector employers and to consider a means by which an incentive could be created for these employers to raise wages. (Paragraph 59)

42. For most public sector workforces, pay levels in Scotland are a matter for the Scottish Executive. We have therefore highlighted this recommendation to the devolved administration.

43. In terms of the UK-wide Civil Service, there are different labour markets for different staff across the Civil Service, depending on factors such as location, responsibility level and occupation. Pay remits will be judged on the extent to which levels of pay for particular groups of staff reflect, and are responsive to, the relevant local labour markets in which they operate. In this context, pay levels need to be compared after allowing for the fact that pay is one individual element of an overall remuneration and reward package.

44. A national minimum wage is in place to provide employees with decent minimum standards of remuneration. From 1 October 2008 the national minimum rates will increase as follows: the adult rate (for those aged 22 and over) will go up from £5.52 to £5.73 per hour; the development rate (for those aged 18-21) will go up from £4.60 to £4.77 per hour; and the 16-17 year old rate will go up from £3.40 to £3.53 per hour.

13. We are led to conclude that despite the introduction of the minimum wage and tax credits, work is not an automatic route out of poverty. Where work is of poor quality, low paid, short-term or seasonal, in-work poverty is a real prospect. (Paragraph 60)

45. The Government believes that helping parents into work is the most sustainable way to tackle child poverty.

46. Support is required for retention and advancement in work and it has to be ensured that all those who need help to develop skills have access to support. DWP works with the Scottish Executive to provide people in Scotland with the right skills support to move into and progress in work.

14. Low paying, poor quality jobs are part of a bigger problem which will require effort not only on the part of the Government, but also of the public sector more generally as well as private employers. In order to ensure that sustainable routes out of poverty are provided, the focus on employability needs to include support for retention and advancement. (Paragraph 61)

47. Of all those in employment in the UK, 81 per cent are in permanent employee jobs and 94 per cent are either permanent employees or self-employed. The equivalent figures for Scotland are 84 per cent and 95 per cent. So in both Scotland and the UK as a whole, total

employment is dominated by people who are either in permanent employee jobs or are self-employed.

48. The Government agrees that support is required for retention and advancement in work, and that it is not just jobs that are required but jobs that pay and offer opportunities for progression.

49. Policy on skills development is devolved to the Scottish Executive, which has its own strategy in this area.

15. We recommend that the discrimination against young workers inherent in the current structure of the minimum wage should end. We are particularly concerned that young adults on work-based training courses should be able to support themselves at a decent level. We agree with the Minister that “Apprenticeships are not meant to be just a source of cheap labour for people” and we urge the Government to ensure that the guidelines surrounding pay and conditions for trainees are properly enforced. (Paragraph 63)

50. The Government takes advice on the National Minimum Wage and the level of pay rates from the Low Pay Commission (LPC). The LPC takes into account a whole range of factors to ensure that the minimum wage is set at a level that guarantees a decent minimum for people at work, does not impact adversely on employment or deter young people with continuing education or training.

51. The LPC found that in countries where all workers, regardless of age, are entitled to the same minimum rate, youth unemployment tends to be higher. This is because employers tend to recruit older, fully trained or more experienced workers if there is no lower rate for younger people. Without the flexibility afforded by the lower rate for younger people, the LPC concluded that youth employment rates could suffer.

52. It is the LPC’s and the Government’s view that the minimum wage should be sufficiently flexible to encourage employers to offer good quality training opportunities. We have been particularly concerned that the minimum wage should not disadvantage young people entering the labour market who may need to develop skills and experience in order to become fully productive members of the workforce. The lower minimum wage offers some recognition to employers of the training costs incurred and helps to ensure that there is not a barrier to training in the workplace.

53. It is important to be clear about the purpose of the 16-17 rate—while it is set to protect young workers against the worst cases of exploitation, we need to be very careful not to encourage young people to take up low-paid employment, rather than continuing with their education or pursuing an apprenticeship—both of which are in their long-term interest.

54. The national minimum wage is the legal minimum that employers are under a duty to observe. Many employers recognise the skills that younger people bring to the workplace and pay wages in excess of the minimum wage.

55. The Government is committed to ensuring all workers receive the minimum wage to which they are entitled. The national minimum wage is enforced by 16 dedicated teams of

HM Revenue and Customs compliance officers. Over £27 million in unpaid wages has been recovered for around 80,000 workers since 1999. However the best way to support workers is to ensure they are not underpaid in the first place. Through the Employment Bill we are introducing a range of tough new measures to crack down on rogue bosses who refuse to pay the national minimum wage, including an automatic fine for every employer who underpays, potentially unlimited penalties for the most serious offenders, and stronger powers for inspectors to investigate evidence of wrong-doing.

16. We welcome efforts to integrate different benefits streams into a ‘one-stop-shop’. However, the Government must provide enough resources to ensure that any new system is properly administered. (Paragraph 74)

56. Jobcentre Plus works in partnership with Local Authorities on Housing and Council Tax benefits, and with HM Revenue and Customs on tax credits. Together they are trialling greater integration in their "In and Out of Work" pilots, which will test new ways to integrate services on behalf of their customers. The removal of duplication is also expected to reduce overall resource requirements.

57. From 1 April 2008, The Pension Service (TPS) and the Disability and Carers Service (DCS), will join together to form a single new Agency, to be known as the Pension, Disability and Carers Service. Each Agency will initially retain its current identity and name, and will continue to deliver frontline services with the same aims.

58. The new Agency will be funded from the combined resources of the existing agencies, but will provide greater scope for efficiency and rationalisation of support functions.

17. The simplification of the benefits system is a vital area of work if take-up of entitlements is to be increased. We refer the Government to the recent excellent contribution of the Work and Pensions Committee in this area. Given the current complexity of the benefits system, the Government has a responsibility to invest in welfare rights advisers and campaigns to promote the take-up of benefits generally. (Paragraph 75)

59. The Government is committed to simplifying the benefits system and making its services more accessible so that customers do not have to go from one place to another to get the help that they need. For example one phone call to The Pension Service can now give access to five benefits: State Pension, Pension Credit, Housing and Council Tax Benefit, and underlying entitlement to Carer’s Allowance. Claims for State Pension and Pension Credit can now be made together on the telephone, without having to fill in a lengthy claim form.

60. The new Agency highlighted at paragraph at 57 above will, in the long term, ensure that customers are ‘right first time’ whenever they contact any of its outlets to ask for help. Over 50 percent of DCS customers are over pension age and predictions are that this figure will increase over time. Joining TPS and DCS will therefore create a more cohesive service for all customers, including children and those of working age.

61. Jobcentre Plus works closely with voluntary organisations and has put in place arrangements at local and national level to ensure they have access to accurate and up to date information on its benefit payment claims and payment services. It has recently signed

an agreement with Citizens Advice committing both organisations to work together to provide the best possible service to customers making enquiries about their benefits, or other Jobcentre Plus related issues, at Citizens Advice Bureaux.

62. The Department for Business Enterprise and Regulatory Reform (BERR) provides Citizens Advice Scotland (CAS) with an annual grant-in-aid. CAS is the national umbrella organisation for the Citizens Advice Service in Scotland, and part of its role is to provide expert help and training for the advisers working in Citizens Advice Bureaux. The grant provided by BERR for 2007/08 was £2.91 million, and funding for 2008/09 is likely to be at a similar level.

18. In addition to plans for an online system, frontline employees in a range of services should be equipped with a basic knowledge of the tax credits and benefits system so that they can assess whether a household is claiming its full entitlement and give advice on where to go for further information. Where convenient, greater use could be made of co-location so that benefits checks are part of a local 'one stop shop'. (Paragraph 76)

63. We have highlighted the role of the In and Out of Work pilots at paragraph 56 above. The new processes are being piloted in six local authority areas, including West Lothian, from 12 September 2007. The pilots are running to March 2008 to allow for full testing of the processes. A detailed evaluation will take place in order that a decision can be made on the way forward.

64. Take up of tax credits for families with children is higher than any previous system of income-related financial support for in-work families. Many agencies, particularly the voluntary sector, provide valuable advice on tax credits but assessment of entitlement is a matter for HMRC and other agencies should refer claimants there. The tax credits helpline is open seven days a week from 8am to 8pm.

19. In the areas of welfare advice and co-location of services there is clear benefit to be gained by working with local authorities. (Paragraph 77)

65. A Partnership Accord sets out the basis for building on and improving the collaborative working in Scotland between DWP, the Scottish Executive, and CoSLA, building on the existing good practice.

66. Jobcentre Plus/Local Authority joint boards provide a forum for nominated Jobcentre Plus and Local Authority officials to discuss various issues, explore best practices, and implement a programme of activities that supports improvements in administration.

67. TPS development of Joint Working Partnerships with Local Authorities and voluntary sector organisations has proven to be the most effective way of reaching customers who are entitled to benefits that are not being taken-up. TPS is currently working with all 203 primary tier Local Authorities across England, Scotland and Wales and other partners.

68. TPS Local Service is also working with Local Authorities and voluntary organisations to improve customer service delivery within local communities, through the creation of designated Alternative Offices that allow Local Authorities and voluntary organisations to accept benefit claims.

20. We urge the Government to consider establishing a transitional benefit aimed at alleviating the costs of entering employment. (Paragraph 81)

69. The Government currently provides a Job Grant, worth £100 or £250 depending on circumstances, to long-term benefit claimants taking up full time work of at least 16 hours per week.

70. In November 2007, the Prime Minister announced that the Government will be introducing a better off in work credit. This credit will ensure that people who have been claiming out-of-work benefits¹⁰ for 26 weeks or more will receive an in-work income (including in-work benefits) of at least £25 a week more than they received from their out-of-work benefits. Payment of the credit would be made for up to 26 weeks.

21. The Government now needs to ensure that everyone living in poverty really would be financially better off in work. Without this approach, the reduction in poverty over the last ten years will not be sustained in the next decade. (Paragraph 82)

71. Under the current tax and benefit system there are very few circumstances in which an individual receives less money from earnings and in-work financial support than they would receive in out-of-work benefits, and most of the Government's priority groups receive significantly more in work. This situation is helped by the substantial in-work support the Government has already provided for these groups such as Working Tax Credit, the payment of the In-Work Credit to lone parents and of the Return to Work Credit to disabled people.

72. We have highlighted the introduction of our better off in work credit at paragraph 70 above. DWP plans to begin a pilot of the credit by October 2008 and, if successful, will look to extend it nationally in 2009.

22. We urge the UK Government, the Scottish Executive and local authorities to consider ways in which the high costs of transport in rural areas can be alleviated. (Paragraph 87)

73. The issue of public transport service provision in rural areas is a matter for the Scottish Executive, and we have drawn their attention to this recommendation.

23. In this Report, we have highlighted the importance of co-ordinating initiatives in different administrations and policy areas in order to reduce unnecessary duplication and to ensure that policies are 'poverty proofed' across the board. This is doubly important for rural communities, where accessibility is key and a range of welfare advice must be made available from a single point of contact. (Paragraph 94)

74. We offer information in the response to recommendation 24 below on our work to improve the accessibility of services.

24. We conclude that rural poverty presents its own challenges, which will not be solved by an approach tailored to the small pockets of deprivation characteristic of urban

10 Incapacity Benefit (and ESA from its introduction) Income Support or Jobseeker's Allowance

poverty. It is vital that the Government's anti-poverty policies are subject to 'rural proofing'. Witnesses have suggested that the establishment of a Commission for Rural Scotland might be a way to give rural communities a stronger, unified voice and we hope that the Government and the Scottish Executive will consider this proposal. Greater investment in outreach is needed to ensure that geographically dispersed communities have equal access to services. (Paragraph 96)

75. The Government agrees that co-ordination of initiatives to reduce duplication and ensure poverty proofing is important. An important element in this is ensuring that everyone has access to the services appropriate to them.

76. TPS Local Service is working with Local Authorities and voluntary organisations, to improve customer service delivery within local communities, through the creation of designated Alternative Offices that allow Local Authorities and voluntary organisations to accept benefit claims.

77. TPS Local Service also visits people in their own home or provides appointments at one of its 787 Information Point locations across England, Scotland and Wales; approximately 50 percent of the Information Points are in rural areas. Jobcentre Plus has also made arrangements with some local bus companies where Jobcentre Plus can issue a bus warrant to enable people to travel to interviews in its offices.

78. DWP's City Strategy aims to deliver a significant improvement in the working age employment rate for disadvantaged groups through devolving decisions and resources to local Consortia. It is recognised that communities of all kinds have pockets of labour market disadvantage. The importance of cities has been emphasised because this is where the major concentrations of low employment exist, but in fact the pathfinder areas cover a range of geographies, including small towns and rural communities.

25. The Government should review its eligibility criteria for benefits aimed at alleviating fuel poverty. In particular, both Winter Fuel Payments and Cold Weather Payments could be extended to those in receipt of disability-related benefits. As part of this review, consideration should be given to establishing a form of regional weighting that would recognise the increased burden in fuel costs to colder parts of the UK. (Paragraph 105)

79. Cold Weather Payments (currently £8.50) are paid automatically to people awarded Pension Credit and those awarded Income Support or income-based Jobseeker's Allowance, who are receiving a pensioner or disability premium, or have a child who is disabled or under the age of five, when the temperature at a specified weather station, linked to the eligible person's postcode, has been recorded as, or is forecast to be, 0°C or below over seven consecutive days.

80. The Winter Fuel Payment is a national scheme available to most people aged 60 or over and the amounts paid from it are the same throughout Great Britain. It would add complexity and expense to take account of regional differences in temperatures, given variations between areas of the UK are not extreme.

81. For disabled people, help is already available through disability benefits and the disability premium in income-related benefits in recognition of the extra costs, including

heating, which disabled people may have. Around 60 per cent of those who receive Disability Living Allowance (DLA) and/or Attendance Allowance are aged 60 or over and automatically receive a Winter Fuel Payment.

26. We cannot understand why the take-up of Fuel Direct should have fallen at the same time that fuel debt is rising. We urge the Government to look into the cause of this fall as a priority. (Paragraph 112)

82. DWP does not discourage the use of Fuel Direct. Regular liaison between DWP and the fuel companies takes place and is intended to ensure that suppliers know how to identify the right candidates for the scheme. The number of people using Fuel Direct has fallen significantly, although this downward trend bottomed out in 2006 and the latest figures for 2007 show a marginal increase.

83. The main reason for this long-term decline is that the eligible benefit population—chiefly recipients of the working-age benefits Income Support and Jobseeker’s Allowance—has declined. In other words, Fuel Direct volumes have gone down as employment has gone up. For example, the number of Fuel Direct customers on Jobseeker’s Allowance fell from over 30,000 in February 1997 to around only 2,200 in May 2006, reflecting a steep reduction in the JSA population over the same period. Also in this timeframe, around 200,000 lone parents receiving income support found work.

27. The reduction of fuel poverty is an area in which greater co-operation and coordination between the UK Government, the Scottish Executive, energy companies and Ofgem is required. (Paragraph 119)

84. We have found that energy efficiency measures are often best delivered at a local level, which is why the Chancellor announced in his Pre-Budget Report 2006 that £7.5m would be made available across the UK in 2007/08 to improve the effectiveness of fuel poverty programmes and the Energy Efficiency Commitment that applies to suppliers. Of this £634,000 was allocated to the Scottish Executive as consequentials.

85. However, the Government does recognise that some measures to alleviate fuel poverty do benefit from greater co-ordination between suppliers, scheme managers, Ofgem, the Government and the Devolved Administrations. That is why Ofgem, the energy suppliers, eaga, the Warm Front Scheme Manager, and the Department for Work and Pensions are working together on a mail-out to all those across the UK, in receipt of Pension Credit, to tell them about the energy efficiency measures that the energy companies will install, free of charge, as part of their Energy Efficiency Commitment targets, now known as Carbon Emissions reduction target. The letter will also direct customers to a helpline where they will be given information specific to their locations. This follows a commitment in the Energy White Paper, that we would work to get maximum use from the benefit data held by Government to target those most in need of assistance.

86. We will continue to work in co-operation with the Scottish Executive, suppliers and Ofgem to alleviate fuel poverty in Scotland.

28. We are concerned that the UK Government, the Scottish Executive and local authorities should co-ordinate their efforts, particularly in the area of illegal money lending. (Paragraph 123)

87. The UK Government works in partnership with local authorities and the Scottish Executive to tackle the issue of illegal money lending. In addition, a broad range of stakeholders in Scotland are cooperating with the Scottish Illegal Money Lending Team. They include the police, the courts, credit unions and community development finance initiatives, and other financial inclusion partners, such as debt advice agencies. The UK Government will continue to build upon and strengthen these partnerships in order to track down and prosecute loan sharks, and to provide victims of loan sharks with the support they need to make a permanent transition away from illegal lenders.

29. We believe that there is a case for Courts to be empowered to impose an interest rate cap in order to prevent severe poverty or destitution. (Paragraph 128)

88. BERR commissioned independent research on this issue which investigated the effect of interest rate ceilings in France, Germany and the USA. The research found that:

- Lenders in these countries do not provide credit for small loans repayable over a short period, thus excluding some low-income consumers from the market or leading others to take out larger loans than they need;
- The choice of products is reduced, limiting competition;
- Some low-income consumers will take out credit on products that have extra charges which are not included in the interest rate calculation, but which low income consumers are particularly likely to incur, such as late payment charges; and
- The percentage of consumers who admitted to having borrowed from unlicensed or illegal lenders was twice as high in Germany and France as in the UK.

89. On this basis the Government decided not to impose an interest rate cap. In particular we were concerned that to do so would reduce the range of credit products available and could result in vulnerable consumers using inappropriate alternative products or even going outside the regulated market to loan sharks. However, we will look again at this issue if presented with fresh evidence that overturns these findings.

90. Consumers do have recourse to redress from the Courts where they are treated unfairly by a lender, which may include being charged extortionate interest. The Consumer Credit Act 2006 introduced a new "unfair relationships test". This enables a borrower to challenge a credit agreement in court on the grounds that the relationship between the lender and the borrower is unfair to the borrower. This provision is in addition to an enhanced ability for consumers to take disputes to the Financial Ombudsman Service.

91. The unfair relationships provisions replaced previous provisions relating to extortionate credit bargains, which were generally held to be inadequate to protect consumers. The new provisions, which came into effect on 6 April 2007, enable the Courts to take into account any feature of a credit agreement or linked agreement, and any aspect of a lender's behaviour throughout the lifetime of the agreement, in considering whether the relationship is unfair. This includes linked agreements for ancillary products such as insurance as well as the behaviour of agents acting on behalf of the lender, including debt collectors.

30. We endorse the recent recommendation of the Work and Pensions Select Committee that the Government should look in more detail at the potential for increasing the eligibility for the Social Fund. We believe that the Social Fund should be reformed and expanded through an increase in resources. A more extended service of affordable credit to those in most need could offer a real alternative to high cost credit. (Paragraph 136)

92. The Government is exploring ways in which reform of the Budgeting Loan scheme could contribute to a wider increase in lending capacity. The Government's Financial Inclusion Action Plan for 2008 to 2011 announced plans to conduct a feasibility study to look into whether the private and third sectors could be brought into partnership with the Government in delivering a reformed Social Fund Budgeting Loans scheme.

93. The Growth Fund, which is now delivered by over 120 credit unions and community development finance institutions across Great Britain, is to be expanded considerably during 2008/11. Work to expand coverage is already underway and has been discussed in detail with the Scottish Executive. Up to 31 December 2007, 3,284 affordable loans, totalling almost £1.5 million, had been made to financially excluded people in Scotland.

31. Our evidence leads us to conclude that more action on irresponsible lending is necessary. Lenders must be obliged to offer credit responsibly and above all transparently. This is not the only solution. Once again, in order to tackle the problem of debt, a coherent strategy must be implemented across a range of policy areas, from the regulation of credit agencies to better education in financial literacy. Co-ordinated action will be needed on the part of the UK Government, the Scottish Executive and local authorities to ensure this takes place. (Paragraph 142)

94. Ensuring that lenders do take a responsible attitude to the provision of credit has been a key priority for the Government in its recent reform of consumer credit law. The Consumer Credit Act 2006 introduces a stronger, more effective consumer credit licensing regime giving the Office of Fair Trading (OFT) increased powers to take action against unscrupulous lenders and unacceptable practices.

95. From April 2008 OFT will be able to assess a company's ability to run its business in a fit manner in the future, as well as assessing past conduct, and to monitor the conduct of a licence holder on an ongoing basis. OFT will target businesses that work in areas where there is high consumer detriment, such as the home credit market, subjecting these businesses to more in-depth scrutiny.

96. In terms of a coherent strategy to tackle the problem of debt, in 2004 the Government produced the "Tackling Over-indebtedness Action Plan" to which all relevant departments and devolved administrations contributed, including the Scottish Executive. The latest update on progress was given in the recent "Tackling Over-indebtedness – Annual Report 2007". This provides comprehensive background to the action being taken and the commitment to dealing with over-indebtedness in the future. Once again, the Scottish Executive was fully involved in its production as part of a fully co-ordinated effort by Government and its partners to tackle the twin aims of stopping people getting into unmanageable debt and helping those who do.

97. The UK Government has recognised that improving levels of financial capability—that is the knowledge, skills and motivation to understand one's own financial circumstances—needs to start young and that means in schools. Financial education within the curriculum in Scottish schools is the responsibility of the Scottish Executive.

98. In January 2007 the Government set out its long-term approach to financial capability when it set out its aspirations for the next 10-20 years. Apart from the need for a planned programme of education in schools the Government commissioned Otto Thoresen, CEO of Aegon UK, to conduct a feasibility study into a national approach to Generic Financial Advice (GFA), that is independent advice, which helps people manage their money better and make confident financial decisions. Thoresen delivered his final report on 3 March 2008. The Government has accepted his central recommendation for a £12 million money guidance 'pathfinder', to be delivered jointly with the Financial Services Authority. The Government will set out further details about this and respond to Thoresen's other recommendations as part of the financial capability action plan due in late Spring.

32. Our inquiry has confirmed that a welcome reduction in poverty has taken place over the past ten years, particularly amongst vulnerable groups such as pensioners and children. This reduction must continue over the next decade. In order for this to happen, the Government needs to make a concerted effort to present a coherent anti-poverty strategy across all policy areas, joining up across government departments as well as with the work of the Scottish Executive and of local government in Scotland. On present evidence, we do not believe that the Government is doing enough to 'poverty-proof' all of its policies and to exploit the available opportunities to integrate services. (Paragraph 143)

99. The Child Poverty Review 2004 articulated the Government's comprehensive strategy for tackling child poverty, setting out a number of priorities: providing financial support, increasing employment, tackling material deprivation, and improving children's life chances. The Child Poverty Review consulted with the devolved administrations to learn from relevant best practice, and it is committed to continued collaborative working.

100. The Government has continued to invest in financial support—taken together, Budget 2007, PBR 2007 and Budget 2008 will help lift over 500,000 more children out of poverty, and make significant progress against the PSA target.

101. The Child Poverty PSA Delivery Agreement, published in October 2007, built on the Child Poverty Review, and reaffirmed the Government's commitment to tackling child poverty. The Delivery Agreement embeds the child poverty strategy across HMT, DCSF, DWP, and the relevant Cabinet Committees, and will drive performance by regularly monitoring progress and holding departments to account. The PSA also indicates that, where possible, delivery activity in Scotland will be taken into account and included in future reporting arrangements. The Government will continue to work with Local Authorities and partners to ensure that they have the flexibility and capacity to deliver the best solutions to meet local needs, drive up standards and improve the services they provide.

102. *Ending child poverty: everybody's business*, which was published alongside Budget 2008, sets out the further steps the Government will take to tackle child poverty including

the new approach the Government will pilot and further areas of work that will help develop the strategy for 2020. This includes £125 million to fund pilots across the UK to prepare for the next decade including looking at new approaches to increasing parental employment and raising incomes, to tackling deprivation in communities and to improving poor children's life chances. The Government believes that ending child poverty requires a sustained national, regional and local effort involving the devolved administrations, across all agencies, service providers and professionals and including communities and business. *Ending child poverty: everybody's business* sets out the Government's vision for a 'contract out of poverty' in which all parts of society pledge to do their bit to tackle child poverty.

103. As mentioned in paragraph 19, the UK's NAP is specifically intended to join up action across the UK (including devolved administrations and local government). The NAP also allows mainstream social inclusion across a wide range of policy areas through the Stakeholder Group. Representatives of a wide range of Government Departments, of the devolved administrations and local government meet regularly with NGOs and people experiencing poverty. Subject-specific seminars (for example on the economic inclusion of Gypsies and Travellers) allow a more in-depth discussion as well as making the link between people experiencing poverty and decision makers across government.

104. Where the levers for tackling poverty are devolved, the Government is committed to working with the Scottish Executive.

33. This inquiry has highlighted a number of issues that are of particular concern. The Government's focus on work and the national minimum wage as routes out of poverty has been responsible for a substantial part of the reduction in poverty that has been achieved so far. The Government cannot rely on economic growth alone to reduce the inequalities in society. Those that remain out of work face considerable barriers in the form of inadequate childcare, geographical isolation, employer attitudes or provision for disabilities. A considerable amount of work will be needed to remove these obstacles and we are not confident that the Government appreciates the scale of the task it faces. (Paragraph 144)

105. The Government agrees that those that remain out of work do face a number of barriers and it is working to help people overcome them. DWP is working closely with the Scottish Executive in those areas of policy that are devolved including education and childcare.

106. There are a range of programmes and services to support disabled people into employment. For example, DWP manages a number of employment schemes aimed at helping disabled people start and retain work. These include Pathways to Work, the New Deal for Disabled People, WORKSTEP, Work Preparation and Access to Work.

107. The recent publication *Ready for work: full employment in our generation* also sets out the Government's next steps in helping even more people, such as lone parents and the long-term unemployed, to make the move into work.

34. Our evidence also suggests that some of those who have entered work in recent years have taken on low paid jobs with few prospects of advancement. Those in seasonal employment can hover around the poverty line in a 'no pay, low pay' cycle. Sustainable

routes out of poverty can be provided by genuine career paths which, although they may start on relatively low pay, offer the chance of progression. The introduction of the minimum wage has made a significant contribution to reducing poverty. The setting of an appropriate rate needs further investigation, but in principle, pay should be fixed at a level so that no-one in full time work is living in poverty. The relatively poor progress that has been made on reducing poverty amongst single adults of working age is evidence of the problems in this area. (Paragraph 145)

108. Information on recent announcements on an increase to the level of the national minimum wage has been provided at paragraph 41 above.

109. Lord Leitch set out in his report *Prosperity for all in the global economy* in December 2006 the challenges faced by the government in developing the skills of individuals and achieving sustained employment, challenges which are common across all four parts of the UK. DWP has been working with the Scottish Executive to understand how Lord Leitch's proposals for an integrated employment and skills service may be implemented to provide the right skills support to meet the needs and particular circumstances of individuals in Scotland.

35. Rural poverty, fuel poverty and debt have been particular focal points for this inquiry. Each of these areas raises distinctive issues, discussed in detail above. We are concerned that, despite good intentions, there is a lack of integration and too much complexity in these areas. The Government could do more to integrate different policy streams and to work co-operatively with stakeholders, including local authorities, with whom relationships appear to have weakened, and the Scottish Executive. (Paragraph 146)

110. The Government takes a joined-up approach to tackling poverty, which is an integral part of multiple policy areas and a key Government priority.

111. The Government is committed to tackling fuel poverty, and has spent £20bn on benefits and programmes since 2000. A number of existing and enhanced policy measures of relevance across the UK have been developed, including the Winter Fuel Payment to pensioners, and the substantially expanded Priority Group obligation within the Carbon Emissions Reduction Target. Spending in this area is a devolved matter, and the Scottish Executive has its own spending programme to provide insulation and central heating measures as part of its strategy for tackling fuel poverty.

112. The UK Government continues to have a good working relationship with the Scottish Executive. Officials maintain contact with their counterparts within the Scottish Executive to ensure that key reserved policies on tackling poverty, such as those in relation to welfare reform, work effectively within the Scottish context.

36. The fight against poverty has not yet been won. Recent progress in reducing poverty must continue over the next decade. More resources and an even greater effort will be needed to reach those groups that have not yet benefited from the economic growth enjoyed by the UK as a whole. (Paragraph 147)

113. As the Committee acknowledges, progress has been made on tackling poverty.

114. The UK Labour Force Survey¹¹ indicates that 15.9 per cent of children live in workless households, a fall of 450,000 (or 2.9 percentage points) since 1997. This is greater than the rate of improvement seen in the EU15, where the proportion of children in workless households has fallen by 1.9 percentage points since 1997.

115. Across the UK as a whole previously disadvantaged groups, such as lone parents, people aged over 50 and those with disabilities, have seen some of the greatest improvements in labour market outcomes since 1997. However, the Government is aware that more needs to be done and has proposed further reform to build an inclusive, cohesive and prosperous society for all. *Ready for work: full employment in our generation* sets out how the next phase of welfare reform will make this vision of society a reality.

Child Poverty in Scotland — Conclusions and Recommendations

1. We are concerned by the recent apparent slowdown in the reduction of child poverty in the UK but are pleased to note that Scotland is doing better at reducing child poverty than the UK as a whole. The Government should analyse the reasons for this relatively good performance so that successful strategies can be identified and deployed more widely. (Paragraph 13)

116. Budget 2008 set out the next steps, including measures to make significant further progress towards the target of halving child poverty by 2010 including: a further £50 increase to the child element of Child Tax Credit from April 2009, an increase to the first child rate of Child Benefit to £20 from April 2009, and the introduction of a Child Benefit disregard for Housing Benefit and Council Tax Benefit purposes. As highlighted in paragraph 100 above, measures announced in the last year will lift a total of over 500,000 children out of poverty.

117. The Government believes that the child poverty target will be met through a combination of building on the support provided to help parents move into work and delivering targeted financial support and by providing focused support for parents, families and communities, and disadvantaged and vulnerable groups.

118. The Government will continue to scrutinise good practice, including in Scotland, in order to continue developing and strengthening its policies for the reduction and ultimate eradication of child poverty.

2. Poverty runs in families. If levels of child poverty can be reduced, there is an opportunity to break the cycle of generational poverty. We therefore welcome the Government's focus on the reduction of child poverty. The success or failure of policies in this area will affect not only those currently living in poverty, but generations to come. (Paragraph 17)

119. The Government agrees that it is vital to tackle inter-generational poverty. Many of the causes of poverty are ingrained and the Government is committed to a long-term

11 2007, quarter 2, published August 2007.

strategy that works. Reducing the number of workless people is critical to breaking the cycle of deprivation and key to reducing child poverty in this and future generations.

3. Action to tackle child poverty necessarily targets parents, attempting to lift children out of poverty by raising family incomes. This action would be more effective if the position of young single adults—the parents of tomorrow—were also improved. As we noted in our previous Report, very poor progress has been made in reducing poverty amongst this group. The strategies we recommended in that Report, namely, the provision of a decent minimum income level as well as stable career paths enabling progression, should not be seen in isolation from the problem of child poverty. The Government also needs to work to increase the take-up of benefits and tax credits entitlements. Maximising the incomes of young adults will have a preventative effect on child poverty that is sustainable for years to come. (Paragraph 23)

120. The Government agrees that young adults are an important group in tackling child poverty. The Government has introduced a range of measures to improve outcomes for young people, including Government-supported apprenticeships, Educational Maintenance Allowances, and National Minimum Wage coverage from the age of 16, with the full adult rate starting from the age of 22.

121. The New Deal for Young People (NDYP)¹² gives young people the skills, confidence and motivation to help them find work, and improve their prospects of doing so. In the UK approximately 764,000 young people have found employment as a result of NDYP, around 88,000 in Scotland.¹³

122. The Government also agrees that support is required for retention and advancement in work and that all those who need help to develop skills should have access to support. DWP works with the Scottish Executive to provide people in Scotland with the right skills support to move into and progress in work.

123. We noted the introduction of a better off in work credit at paragraph 70. DWP plans to begin a pilot of the credit by October 2008 and, if successful, will look to extend it nationally in 2009.

124. HMRC is working to improve the take-up of tax credits. Take-up is higher than any previous system of income-related financial support for in-work families. In 2005-06 take up of the Child Tax Credit was 82 per cent with 91 per cent of the money available being claimed. Take-up amongst those of incomes of less than £10,000 is now 96 per cent; and take-up amongst lone parents is now 95 per cent (up from 91 per cent in the first year of tax credits). Take-up amongst those entitled to WTC only has been lower, and in Autumn 2006 HMRC ran a campaign targeted at those entitled to WTC only—that is, single people and couples with no children. Although finalized take-up statistics will not be available for some time, current data shows that the number of people claiming WTC only has substantially increased.

12 NDYP is mandatory for all 18-24 year olds who have been claiming Jobseeker's Allowance (JSA) for 6 months.

13 NDYP figures to May 2007.

4. We are concerned by the evidence we have received that those children living in the severest poverty in Scotland may not have fully benefited from the recent reductions in child poverty rates. The poorest children are not helped if the Government meets its targets only by reaching those just below the poverty line—a strategy that also endangers the Government’s longer term targets for the total eradication of child poverty. (Paragraph 30)

125. The Government agrees that every child living in poverty needs to be helped and particularly those living in the severest poverty. The Government believes that work for those who can remains the most sustainable route out of poverty and that is why the Government will continue to do all it can to support parents into work. Extra resources continue to be targeted on providing support for people who face the greatest disadvantages in the labour market.

126. It is not just those families close to the 60 per cent threshold that have benefited from Government policy, but also those lower down the income distribution. Compared to 1997, there are 440,000 fewer children in workless households, the percentage of children in households with less than 50 per cent of median income has fallen from 14 per cent to 11 per cent, and the percentage of children in persistent poverty has fallen from 17 per cent to 13 per cent.¹⁴ As a result of all measures since 1997, by April 2010 families in the poorest fifth of the population will be, on average, £4500 better off in real terms.

5. The Government needs to do more to assess what progress has been made in raising the incomes of the poorest families. The current child poverty targets are based on a single poverty line of 60% of median income. This is not sensitive to variations in standards of living that fall below this line and we therefore recommend that additional research should be undertaken to assess the standard of living of the poorest children. (Paragraph 31)

127. As indicated in paragraph 8, the three indicators the Government uses to measure child poverty were developed following extensive consultation. The headline indicator, which measures the number of children in households with less than 60 per cent of median income before housing costs, is also an established measure which is used across Europe and internationally.

128. Given the recent consultation the Government does not feel that it would be appropriate to review this measure again at this time.

6. A significant proportion of those children living in poverty come from households where at least one parent is working. In order to continue to reduce child poverty, the problems of low pay, job retention and career advancement must be tackled. We refer the Government to the findings of our previous Report, Poverty in Scotland, on these issues. As we stated in that Report, “the tax and benefits system must, at a minimum, ensure that no-one in full time work is living in poverty”. (Paragraph 37)

129. We have responded to the Committee’s conclusions at paragraph 38 and 39 above.

¹⁴ Persistent poverty figure is GB only.

7. The high transitional costs experienced by parents entering the workplace, as well as the loss of key benefits, undermines the Government's efforts to raise incomes through making work pay. There is a need for the Government to introduce a simplified benefits system that allows an individual to move from unemployment to work without losing income. (Paragraph 38)

130. Under the current tax and benefit system there are very few circumstances in which an individual receives less money from earnings and in-work financial support than they would receive in out-of-work benefits, and most of the Government's priority groups receive significantly more in work. This situation is helped by the substantial in-work support the Government has already provided for these groups.

131. The Government is keen to do what it can to ease the transition from benefits to work. The design of the benefits, tax credits, and tax system ensures that nearly everyone receives more income in work than they would do on out-of-work benefits. As highlighted, the introduction of a better off in work credit will ensure that people who have been claiming out-of-work benefits¹⁵ for 26 weeks or more will receive an in-work income (including in-work benefits and Working Tax Credit) of at least £25 a week more than they received from their out-of-work benefits. Payment of the credit would be made for up to 26 weeks. This supports the Government's wide-ranging strategy to help people get the skills they need to progress in work.

132. In addition to this, the tax credits system already allows households to move into work, or to increase their earnings, without losing any tax credits, through the £25,000 disregard. This allows a household to increase their income by up to that amount in a single tax year without seeing any reduction in their tax credit entitlement until the following year.

8. The Scottish Executive should do more to ensure that resources reach disabled families, who are disproportionately affected by poverty. (Paragraph 42)

133. This recommendation is aimed at the Scottish Executive, and the UK Government is therefore unable to offer a response. We have highlighted this recommendation to the devolved administration.

9. The Government has succeeded in increasing the incomes of many working parents through the minimum wage and tax credits, but it must now recognise that future progress will depend not only on financial rewards, but also on removing the current barriers to entering work. In order to continue to reduce child poverty, the Government's focus on getting people into work needs to be responsive to the needs of families. Access to affordable and suitable childcare is key, both for working parents and for those who wish to undertake training to improve their skills and employability. Parents of disabled children face a significant challenge in accessing suitable childcare and support for these families should be reviewed as a priority. We are aware of

¹⁵ Incapacity Benefit (and Employment Support Allowance on its introduction), Income Support or Jobseeker's Allowance

successful local childcare projects, but the Committee believes that more needs to be done to support these groups. (Paragraph 45)

134. The Government agrees that it is very important to tackle the barriers to work faced by some, such as the provision of affordable and suitable childcare. Policy for childcare is a devolved matter, and the Scottish Executive has the responsibility to ensure that appropriate provision and support is available to help parents to move into work.

10. The Government has focused on work as a route out of poverty. We welcome the recent increases in employment for those seeking work. However, Ministers must be cautious in suggesting that all parents are now expected to enter paid work. The contribution to society made by full-time carers must not be undervalued. (Paragraph 47)

135. The Government recognises the valuable contribution made by carers to society and believes that people with caring responsibilities should be helped to make the most of their opportunities, including the opportunity to stay in work or to get back into employment where possible. As part of the National Carers Strategy, a substantial package of measures has been introduced to extend and improve the financial support and services available to them. This package includes a range of improvements to benefits, which are in particular helping older and poorer carers, as well as those able to combine some work with their caring responsibilities. The government has launched a major review of the National Strategy for Carers, in consultation with the principal organisations representing carers, and carers themselves. The review of the Strategy is considering the scope for improvements to the existing system of financial support for carers. The outcome of the review is expected to be published later in 2008.

136. Moreover, lone parents who are unable to work because of caring obligations,¹⁶ health conditions or disability can continue to claim Income Support or other appropriate benefits.

11. Our previous Report on Poverty in Scotland concluded that the best way of tackling poverty was through a joined up approach, integrating services provided by the UK Government, the Scottish Executive and local authorities. Although there is clearly more to be done, we are pleased that co-operation between these bodies appears to have helped to reduce child poverty in Scotland. Tackling child poverty requires combined effort and a genuine political will. We hope that the historically close collaboration between the UK Government and the Scottish Executive in this area will continue. (Paragraph 53)

137. The Government is committed to eradicating child poverty in a generation and agrees that a joined-up approach with local authorities and the Scottish Executive is very important in tackling child poverty in Scotland.

¹⁶ For example if they have children for whom the middle or highest rate care component of DLA is payable, or they claim Carers Allowance, or are fostering),

138. The Joint Child Poverty Unit will meet regularly through the Four Country Devolved Policy Forum with their counterparts in the devolved administrations to share best practice and information.

12. Child Tax Credits have been a key factor in reducing levels of child poverty, but given the complexity of the tax credit system, we are concerned that the Government should do its utmost to ensure that families are aware of their entitlements and that they can access the full range of support that is available. Even if the take-up of tax credits improves, significantly more resources will be needed in order to reach the 2010 target of lifting half of children out of poverty from the 1997 baseline. (Paragraph 62)

139. Take up of tax credits for families with children is higher than any previous system of income-related financial support for in-work families. Figures published in March 2007 show that in 2004–05 take up of the Child Tax Credit rose in the UK from 79 per cent to 82 per cent with over 90 per cent of the money available being claimed. The take up in Scotland was similarly high at 82 per cent with 94 per cent of the money claimed. Take-up amongst those of incomes of less than £10,000 in the UK is now 97 per cent.

140. As part of the CSR the Government announced a new Public Service Agreement reaffirming its commitment to halve child poverty by 2010–11 and the Government published a Delivery Agreement outlining how Government will work across departments to meet this commitment. The PSA indicates, where possible, delivery activity in Scotland will be taken into account and included in future reporting arrangements

141. Paragraph 116 above also outlines recent Budget announcements which, along with other announcement from the past year, will help to lift 500,000 more children out of poverty.

13. The Government needs to keep the balance of its targeted programmes of support under review. It is possible that, once some groups have been helped out of poverty, others may be left behind. The tax and benefits system must be flexible enough to respond to these changing needs. (Paragraph 65)

142. The Government wants no one left behind in poverty and is committed to building an inclusive, cohesive and prosperous society with fairness and social justice at its core.

143. Over the past ten years the biggest improvements have been amongst the groups that started off in the worst position. However, the Government recognises that there is more to do.

144. *Ready for Work: full employment in our generation* sets out the Government's strategy to move people from being spectators on the margins—as recipients of benefits—to becoming participants, actively seeking and preparing for work. It also outlines the Governments' long term objectives for transforming the benefits system by making it simpler and less complex.

14. The UK welfare system today is a mixture of universal and targeted programmes, embodied in the different forms of support provided by Child Benefit and tax credits. Our inquiry has found evidence that children in the poorest families may not be reached by some of the current government policies, which focus on means-tested

benefits and employment. In this context, increases in Child Benefit, which has a high take-up and is universally available, seem attractive. It is undeniable, however, that increases in Child Benefit would also go to rich families. The Government needs to consider carefully whether there is a way to reach the poorest families through a targeted benefit, or if universal support is the only reliable method of raising incomes amongst this group. (Paragraph 70)

145. It is not just those families close to the 60% threshold that have benefited from Government policy, but also those lower down the income distribution. Compared to 1997, there are 440,000 fewer children in workless households, the percentage of children in households with less than 50% of median income has fallen from 14% to 11%, and the percentage of children in persistent poverty has fallen from 17% to 13%. As a result of all measures since 1997, by April 2010 families in the poorest fifth of the population will be, on average, £4500 better off in real terms.

146. The Government's system of financial support for families is based on the principle of progressive universalism, delivering help for all families and more help for those who need it most.

15. Children in larger families are at greater risk of poverty. Our evidence suggests that equalising the rate of Child Benefit would help many of the poorest families. We are attracted to this idea but consider that further research is needed to establish whether this is the most practical way of reducing poverty in large families. (Paragraph 74)

147. The Government is committed to the principle of universal Child Benefit, paid to the main carer, as the foundation of its support for children.

148. A higher rate of Child Benefit for second and subsequent children would be one way to reduce child poverty in large families. However, it would not be the most targeted form of support for those with the lowest incomes.

149. The Government's current strategy of financial support for low to moderate income families includes the Child Tax Credit (CTC). It particularly benefits large families which have seen the biggest falls in poverty. The child element of CTC is now £1,845 a year, an increase of £400 since its introduction in 2003. The child element will rise further to a projected £2,085 from April 2008. A low-income three-child family currently receives £8,280 support each year through Child Benefit and the CTC. Three-child families who earn up to £50,000 receive at least £2,740 Child Benefit and CTC a year.

16. We have had representations to consider seriously the option of establishing a twice yearly seasonal grant for families in receipt of Income Support, Jobseeker's Allowance or the maximum Working Tax Credit. Throughout this Report we have emphasised the importance of simplifying the benefits system. We are concerned that establishing a new seasonal grant might increase the bureaucracy involved. We do believe that resources should be devoted to helping low income families to cope with large items of one-off expenditure which might otherwise push them into poverty. It might be possible to achieve this by allocating additional resources to the Social Fund, as recommended in our previous Report. (Paragraph 76)

150. The Government has an ambitious programme of welfare reform under way in which simplification plays a crucial part. It will continue to pursue simplification vigorously where it supports the strategic aims of promoting full employment, supporting children and families and delivering security, dignity, social justice and independence.

151. The Government is exploring ways in which reform of the Budgeting Loan scheme could contribute to a wider increase in lending capacity. The Government's Financial Inclusion Action Plan for 2008 to 2011 announced plans to conduct a feasibility study to look into whether the private and third sectors could be brought into partnership with the Government in delivering a reformed Social Fund Budgeting Loans scheme

152. Many people on low incomes need to borrow from time to time to help manage their cash flows or deal with unexpected expenses. Via the Growth Fund, £42 million has been invested in over 120 credit unions and community development finance institutions to increase the supply of affordable credit. The recent allocation of a further £38m for the period 2008-2011 will mean that many tens of thousands more people will have access to affordable credit.

17. Our evidence indicates that those young people who stand to gain the most from training courses experience the greatest difficulties in securing access and financial support. The generational cycle of poverty will not be broken unless the Government ensures that young adults are supported to gain the skills necessary for a life free from poverty. Age-based discrimination in the tax and benefits system undermines progress in this area and we therefore recommend that it should end. (Paragraph 80)

153. The Government agrees that young adults need to be supported to gain the skills they require and New Deal for Young People (NDYP) provides this support.

154. The DWP is making changes to New Deal from April 2008 to make sure that 18-year olds previously not in education, employment or training can, by agreement with their personal adviser, be fast tracked to the NDYP Gateway on a voluntary basis. From 2009, DWP will take this approach further by making fast tracking to the flexible New Deal Gateway mandatory for 18-year olds who have already spent at least six months not in education, employment or training. Customers participating in the Gateway receive intensive support to find work. In return, there is a greater requirement for them to demonstrate that they are looking for work and taking steps to improve their job chances.

155. In October 2007 the Pre-Budget Report announced the abolition of the lower Income Support and Jobseeker's Allowance rate for 16 and 17 year olds. They will instead receive the same rate as paid to single 18 to 24 year olds, which will significantly increase help for over 15,000 of the most disadvantaged young people.

18. We welcome the progress that has been made in reducing child poverty since 1997, which has been achieved as a result of unprecedented levels of investment and a strong political will that now, appears to be shared by all. Poverty is often passed from generation to generation. The reduction of child poverty therefore offers the opportunity to break the cycle of deprivation. Nonetheless, the levels of child poverty in Scotland are still high by international standards and there is some evidence to suggest that progress is slowing down. In order to reach the target of halving child poverty by

2010, the Government will need to match, if not surpass the level of resources and of commitment of the past decade. (Paragraph 81)

156. Government policies so far have made a considerable impact on child poverty, particularly in Scotland, but it is recognised that there is more to do if the cycle of deprivation is to be broken. The announcement of a new Public Service Agreement reaffirms the commitment to halve child poverty by 2010 and a Delivery Agreement has been published outlining how Government Departments and delivery partners will work together to meet this commitment. Through building on the success of policies helping parents into work and delivering the right financial support, the target can be met.

157. Budget 2008 set out the next steps, including measures that will make significant further progress towards the target of halving child poverty by 2010. The measures announced in Budget 2008 will lift up to a further 250,000 children out of poverty. Including the reforms announced in Budget 2007 and the 2007 Pre-Budget Report and Comprehensive Spending Review, measures announced in the last year will lift a total of over 500,000 children out of poverty.

158. *Ending child poverty: everybody's business*,¹⁷ which was published alongside the Budget, sets out the further steps that the Government will take to tackle poverty during the next decade including new pilots and further areas of work that will help develop the strategy for 2020. These new pilots will look at new approaches to increasing parental employment and raising incomes, to tackling deprivation in communities and to improving poor children's life chances. The Government also announced that it will be bringing forward a radical reform package to extend and improve opportunities and incentives to work, make progress towards the target on child poverty, and to encourage independence, choice and control for disabled people.

159. As a result of the Government's reforms to the tax and benefit system since 1997, by April 2010 and in real terms, households with children will be, on average, £2,000 better off; and households with children in the poorest fifth of the population will be, on average, £4,500 better off.

19. We recommend that the targeted nature of welfare support should be reviewed to ensure that help is reaching those most in need. Throughout this Report, we have emphasised the importance of a simplified tax and benefits system. (Paragraph 82)

160. We have provided information on our work towards a simplified benefits system in response to recommendation 17 within the volume 1 report, and paragraph 163 below also refers.

20. Child poverty can be tackled through many of the same strategies as poverty in general. By maximising the incomes of parents (and parents-to-be), children will no longer be born into poverty. Our previous Report on Poverty in Scotland emphasised the need for an integrated strategy, working co-operatively with the Scottish Executive and local authorities. There is evidence to suggest that this approach has led to a

17 www.hm-treasury.gov.uk/media/3/F/bud08_childpoverty_1310.pdf

relatively greater reduction in child poverty in Scotland, compared to the UK as a whole. However, inconsistencies and administrative complexities remain in some areas of the welfare system. These need to be removed if further progress is to be made. (Paragraph 83)

161. The Government believes that work for those who can remains the most sustainable route out of poverty and that is why it will continue to do all it can to support parents into work.

162. All of the Government's welfare programmes and policies are kept under regular review to ensure that the needs of the most disadvantaged, including children living in poverty, are met.

163. The Government accepts that the benefit system is too complex. A simpler system with clear outcomes for our customers and for DWP in delivering its services is a principal aim. Fundamental change will take many years to implement and the Government is committed to assessing the best way to do this whilst balancing the needs of its customers within resources available.

164. In all of this action to continue to tackle poverty in Scotland co-operative working with the Scottish Executive and local authorities is vital.

Appendix 2

Letter to the Chairman of the Committee from the Deputy First Minister and Cabinet Secretary for Health and Wellbeing, Scottish Executive

I am writing to welcome your Committee's reports on Poverty in Scotland and Child Poverty in Scotland as useful contributions to understanding of these issues; and to provide an update to the Committee on work that is underway to develop the Scottish Government's approach to tackling poverty.

I launched at the end of January a wide ranging *Discussion Paper on Tackling Poverty, Inequality and Deprivation in Scotland* which is available on the Scottish Government's website, with an associated consultation period running until the end of June. This will lead to the production of the Scottish Government's Anti-Poverty Framework later this year, in full partnership with CoSLA and the Poverty Alliance.

That Anti-Poverty Framework will be set firmly within the context of our Government Economic Strategy (GES). The GES sets out the overarching purpose of the Scottish Government, to "create a more successful country, with opportunities for all of Scotland to flourish, through increasing sustainable economic growth". It is underpinned by the realisation that too many of Scotland's citizens are failing to reach their potential and that this is damaging Scottish society as a whole.

Our Anti-Poverty Framework will set out how we will meet the Solidarity Target set out in our Government Economic Strategy:

"To increase overall income and the proportion of income earned by the three lowest income deciles as a group by 2017".

This target explicitly commits the Scottish Government to ensuring that the poorest members of Scottish society benefit most from economic growth, ensuring that Scotland becomes a wealthier *and* fairer country. We welcome the Committee's comment that "At root, poverty is caused by a lack of money",¹⁸ which appears to support our focus on income. The Scottish Government also remains committed to doing what it can within the available powers to help achieve the UK milestone to halve child poverty (from a 1998/99 baseline) by 2010, and the goal of eradicating child poverty by 2020. We will integrate action on this front into our Anti-Poverty Framework.

We have grouped our responses to the relevant recommendations of the Committee under broad headings in Annex A. I would in return welcome input from members of

18 *Poverty in Scotland*, Volume 1, paragraph 10.

the Committee to our consultation process and any reflections on where we should focus our efforts.

Nicola Sturgeon
Deputy First Minister and Cabinet Secretary for Health and Wellbeing,
Scottish Executive
23 April 2008

Annex A

Measure of Poverty

1. We remain committed to the widely accepted measure of poverty (household incomes below 60% of the median). However, it should be recognised that the Scottish Government's focus is on raising the income of the lowest earning 30% of the Scottish population. This is wider than those classed as "poor", all of whom fall within the bottom two income deciles. This wider focus will allow us to address to some extent the phenomena whereby a number of citizens have been lifted from just below to just above the poverty line, while possibly still experiencing hardship.
2. We note the Committee's concerns around the degree to which the Scottish Index of Multiple Deprivation captures the extent of poverty in rural areas. The Scottish Index of Multiple Deprivation is designed to identify areas of concentrated multiple area deprivation, rather than capture the extent of poverty. Work is underway within the Scottish Government to improve the understanding of rural poverty, including:
 - i. A commitment to the annual publication of poverty figures broken down into rural and urban areas with agreement from the Office of National Statistics.
 - ii. The commissioning of qualitative research into the different experiences of people in poverty in rural areas and urban areas.
 - iii. Developing sub-Scotland income statistics, through the Scottish Household Survey.
 - iv. Dedicating a section of our Measuring Poverty in Scotland Event on 11th June to the discussion of rural poverty, to uncover what else needs to be done.
 - v. Holding a consultation event on the Scottish Government's Anti-Poverty Framework in a remote and rural Community Planning Partnership area to discuss the specific nature of the challenge remote and rural Community Planning Partnerships face.
3. The Scottish Government is following closely academic efforts to define a "living wage" and will consider the implications of that work for policy as it develops. Agreement across the UK on a definition of "severe poverty" may be worth pursuing and this is also something which Scottish Government officials will pursue with their colleagues in the other administrations.

Adults of working age with no children

4. The Scottish Government agrees with the Committee's view that Government policy should also seek to support adults of working age with no children as they try to move out of poverty. We believe that the UK Government's decision to abolish the 10p rate of income tax is detrimental to adults of working age without children. The Scottish Government's Solidarity Target is intended to increase the income of the lowest 30% of earners in Scotland. This includes adults of working age with no children and so is wider than the UK child poverty targets, to which the Scottish Government is also signed up. Details of our approach will be set out in our forthcoming Anti-Poverty Framework.

Coordination of policy

5. The Scottish Government continues to work with Whitehall Departments to attempt to coordinate policy approaches to often difficult, cross-cutting issues where possible. This includes through the Four Country Group on Child Poverty established at the instigation of the Scottish Government, which brings together officials from the devolved governments and the Child Poverty Unit in the Department for Children Schools and Families.

6. The Scottish Government is also keen to build more effective links with the Department for Work and Pensions around issues such as benefits uptake campaigns and reforms to Housing Benefit; and to ensure that the DWP engages with the Scottish Government early in the policy development phase, when changes to DWP policy are being considered which will impact on Scotland and on devolved policies and services. In this regard we would emphasise the positive benefits which would accrue when the DWP does not attempt to adopt policies which rigidly adhere to a "one size fits all" approach across the UK.

Local discretion

7. The Scottish Government welcomes the Committee's conclusion that consideration should be given to providing greater flexibility to local government in the provision of services aimed at reducing poverty. The Scottish Government's concordat with COSLA set out the terms of the new relationship between these tiers of Government. While the Scottish Government continues to set the direction of policy and outcomes, it will stand back from micro-managing service delivery and move away from ring-fenced funding thus reducing bureaucracy and freeing up local authorities to innovate and respond to local circumstances. The Scottish Government believes that this local level freedom to innovate, with effective learning networks in place, will lead to the development of more effective approaches than would monolithic models mandated from the centre. As a result of this approach the Scottish Government had replaced seven separate funding streams aimed at tackling poverty and deprivation with a single Fairer Scotland Fund worth £435 million over 2008-11. This will give Community Planning Partnerships a more strategic and integrated investment stream and greater flexibility to direct resources towards achieving priority outcomes and "bending" mainstream spend towards tackling poverty, inequality and deprivation.

Engagement with those living on low incomes

8. We note the recommendation that all policy on poverty is informed by the views of those living on low incomes. This is in line with existing Scottish Government policy on consultations, where those affected by policy changes should be involved in the development of the policy. The Scottish Government has asked the Poverty Alliance to carry out a series of grassroots engagements with those experiencing poverty to inform the development of the Scottish Government's Anti-Poverty Framework. Scottish Government officials have also been meeting with any interested parties to discuss the development of the Framework, a process which will continue until the end of June.

Barriers to employment

9. A central plank of meeting the Solidarity Target will be continuing to encourage individuals into employment. We recognise that continued progress will be dependent on addressing barriers to employment and this is an issue the Scottish Government continues to address through the delivery of the "workforce plus" employability framework and the deployment of the Fairer Scotland Fund, which has a specific employability remit.

10. On the specific question of childcare, it should be noted that the Early Years and Early Intervention joint Scottish Government and COSLA policy statement identified as a key action:

"provide high quality, reliable childcare that can give those furthest from the employment confidence to take initial steps towards employability".

11. Much work has already been done in recent years to realise this goal, for example through the £50 million "Working for Families" programme which has seen 13,385 parents (up to 31 December 2007) parents helped towards employment.

12. The Scottish Government is now working with COSLA to specify how childcare provision can support routes to employment as a way of lifting families out of poverty. This will be reflected in the Scottish Government's Early Years Framework, due for publication in the autumn.

Rural poverty

13. We note and share the Committee's concern regarding various aspects of rural poverty, and will build on the evidence discussed in paragraph 2 to ensure that the Anti-Poverty Framework is sensitive to the differing circumstances and needs across urban and rural Scotland.

Fuel poverty

14. The Scottish Government welcomes the Committee's recommendation that greater coordination is required between the UK Government, the Scottish Government, the energy companies and Ofgem to tackle fuel poverty. We accept the Committee's analysis that fuel poverty has three main causes: low income; high fuel prices; and poor energy efficiency. Of these, the UK Government has control over income (through the tax and

benefits system) and energy prices, while the Scottish Government has a role with regard to energy efficiency. A “joined up” approach to tackling fuel poverty across all three areas would be welcomed by the Scottish Government. The Minister for Communities and Sport wrote to Hilary Benn and John Hutton last November about the need for Ministers from across the UK to work together on fuel poverty issues and calling for the UK wide Ministerial Fuel Poverty Group to be reconvened. The Minister raised this issue again at the Fuel Poverty Summit on 23 April.

Child Poverty in Scotland

15. We share the Committee’s view of the importance of breaking the cycle of generational poverty. The “Early Years and Early Intervention” joint Scottish Government and COSLA policy statement states that:

“We have always known the earliest years of life are crucial to a child’s development. However, it is increasingly evident that it is in the first years of life that inequalities in health, education and employment opportunities are passed from one generation to another. The early years framework signals local and national governments’ joint commitment to break this cycle through prevention and early intervention. In short we aim to give every child in Scotland the best start in life.”

16. The Early Years Framework will be published in the autumn of this year. Taken with the development of the Scottish Government’s Anti-Poverty Framework with its explicit focus on income inequality, this will go some way towards articulating the Scottish Government’s approach to the challenge of inter-generational poverty and inequality.

17. The Scottish Government is also supporting research, with Save the Children, into Scotland’s poorest children to develop our understanding of severe child poverty in Scotland in order to better target interventions for the most vulnerable. This is in recognition that more information is required on the circumstances of these children before appropriate, tailored policy responses can be developed.

Illegal and irresponsible lending

18. The Scottish Government agrees that a range of stakeholders, including the UK and Scottish governments and local authorities, need to collaborate to tackle debt issues and financial inclusion more generally.

19. Regulation of consumer credit is a matter reserved to the UK Government. We expect the Consumer Credit Act 2006 (which is now almost completely implemented) to create a fairer and more transparent credit market. It will enhance consumers’ rights and redress by empowering them to challenge unfair lending and by providing more effective options for resolving disputes.

20. On financial literacy, the Scottish Curriculum for Excellence aims to provide a seamless education from age 3 to 18 and is taking a fresh look at what is being taught in schools. We want to ensure that that all young people can be successful learners, effective contributors, confident individuals and responsible citizens. Learning and Teaching Scotland (the

Scottish Government’s curriculum advisory body) has recently released draft “learning outcomes” for Social Studies. Pupils are to be taught how to manage budgets and to reconcile that they may not always be able to afford things that they want. The draft learning outcomes for Social Studies sit alongside draft guidance for teachers on promoting numeracy across the curriculum which, among other things, is intended to help pupils manage money and plan their finances. This approach reflects our strategy of early intervention to prevent later problems. However, we acknowledge that some individuals are already in a debt management crisis, and we continue to support the provision of information and advice which can help them resolve that.