POVERTY AND INEQUALITY COMMISSION

Child Poverty Delivery Plan progress 2024 - 2025

Scrutiny by the Poverty and Inequality Commission

Prepared for the Scottish Government, May 2025

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Executive Summary

What progress has been made in 2024/2025 towards meeting the child poverty targets?

The latest child poverty statistics, published in March 2025, showed that all four interim child poverty targets for 2023/24, set out in the Child Poverty (Scotland) Act 2017, have been missed, although there were some signs of progress for two of the four target measures (relative and absolute child poverty) that were consistent with the expected impact of the Scottish Child Payment.

Delivery of the Scottish Child Payment continues to be a success and make a big difference for families, but the Scottish Government has made limited progress in 2024/25 on delivering the other major actions set out in *Best Start, Bright Futures*. The funding allocated for significant commitments, such as early learning and childcare and school age childcare, has been nowhere near sufficient, and the Scottish Government has reduced its ambitions in a number of areas to what can be delivered within its revenue raising and spending plans. It has also put an emphasis on lower cost actions, such as the Fairer Futures Partnerships. In other areas such as employability and affordable housing supply, based on the current trajectory, it does not look as if the Scottish Government will deliver on the aims it has set itself.

The Scottish Government did make a major new commitment in 2024/25, which is to mitigate the impact of the two-child limit by 2026. This is a welcome action which will have a direct impact on child poverty rates.

Does it appear to the Commission that such progress is sufficient to meet the child poverty targets?

On current trends, the Scottish Government is not at all likely to meet the child poverty targets. The interim child poverty targets for 2023/24 have been missed and the reductions in child poverty needed to meet the final 2030 targets are now very large. Data for 2024/25 will not be available till next year, however – given the absence of major interventions to increase incomes or reduce costs during 24/25 – it seems unlikely that it will show a markedly more positive picture than the 23/24 data. Modelling projections of child poverty into the years approaching the final target, based on current policy, suggest the 2030 targets will be missed, and missed by a substantial margin. The Scottish Government must take decisive action now if it is to have any chance of delivering on the 2030 child poverty targets.

What further progress does the Commission consider is required to meet the child poverty targets?

The First Minister has said that the eradication of child poverty is the single most important policy objective for the Scottish Government, and the Scottish Parliament voted unanimously to set the child poverty targets. There is clearly no lack of belief that child poverty is deeply damaging for children and society in Scotland and that it needs to be eradicated.

There remains a 12 percentage point gap between the 2030 relative child poverty target and the current relative child poverty rate. To meet the 2030 targets, the Scottish Government will need to put in place the equivalent of another three policies or actions which each have as great an impact on child poverty as the Scottish Child Payment, or many policies that have a smaller but still significant impact on child poverty. Evidently more of the same is not going to get close to the child poverty targets.

The Scottish Child Payment demonstrates that decisive policy action by the Scottish Government can have a real and measurable impact in reducing child poverty. The Scottish Government's commitment to mitigate the impact of the two-child limit is welcome, and could potentially reduce child poverty rates by two percentage points from 2026/27, but it is not enough. The Scottish Government must raise its ambitions and make revenue raising and funding decisions that bridge the gap between where we are now and where need to be in 2030/31.

Recommendations

Recommendation 1: A whole government approach to close the gap to 2030

The Scottish Government should take a whole government approach to meeting the 2030 targets, maximising the impact of all its policies on eradicating child poverty. As a first step it should carry out an appraisal of all the policies and actions it currently identifies as contributing to reducing child poverty. This appraisal should use an intersectional equalities lens. For each policy/action, this should identify:

- which groups principally benefit from the policy
- the mechanism by which it contributes or is intended to contribute to reducing child poverty
- whether its impact on child poverty is measurable and, if so, the extent of that contribution
- whether more could be done to maximise and measure this

This analysis should be used to identify a core set of policies/actions that directly tackle child poverty, and identify what more is required - in terms either of additional policies and actions, or more funding for existing actions - to meet the child poverty targets, including any targeted action that is needed to address specific barriers faced by different household types.

Recommendation 2: Tax

The Scottish Government should consider again how to take forward the recommendations of the Commission's previous report How better tax policy can reduce poverty and inequality, and develop proposals for fair and effective ways to raise the revenue required to fund policies to eradicate child poverty.

Recommendation 3: Budget decisions

In making revenue raising and budget decisions, the Scottish Government should look more closely at the cost effectiveness of policies and actions in delivering intended outcomes, and conduct a distributional analysis of who benefits from budget spend. This should include setting out the evidence for its choices about universal versus targeted provision, including the opportunity cost of different spending choices.

Recommendation 4: Addressing national and local accountability

In preparation for the third Tackling Child Poverty Delivery Plan, the Scottish Government should develop a shared understanding with COSLA and other stakeholders on the policy priorities, funding mechanisms and agreed outcomes that will be required to meet the 2030 targets.

Recommendation 5: Income maximisation and advice services

The Scottish Government should provide further funding for advice services to maximise take-up of both devolved and reserved social security entitlements. It should commit to long-term funding for evidence-based interventions to achieve this, such as the Welfare Advice in Health Partnerships programme. It should investigate the barriers to accessing advice and support, particularly for priority families, and invest further in evidence-based strategies to maximise take-up.

The Scottish Government should urge the UK Government to provide benefit take-up data for Universal Credit in order to strengthen the evidence base.

Recommendation 6: Further investment in social security

As increased social security investment is now required to meet the targets, the Scottish Government should consider options for making further cash transfers to families and implement the most effective measures. Modelling carried out for the Commission by WPI Economics, and modelling by other organisations, including the Fraser of Allander Institute and IPPR Scotland, explores a range of options for doing this.

Recommendation 7: Housing costs

The Scottish Government should explore further the role that housing costs in the private rented sector play in child poverty. It should consider how to maximise the impact of existing policy on reducing child poverty, and consider what other action could be taken on housing costs, including ensuring that households with a disabled person do not face higher costs to access appropriate accessible housing.

Recommendation 8: Deep poverty

The Scottish Government should look to understand more about households in the deepest poverty and consider what specific actions could be taken to reduce poverty for these children.

Recommendation 9: Child poverty data

The Scottish Government should work with the Department of Work and Pensions to appraise options to reduce both sampling uncertainty and systematic error in the four target measures, and implement viable improvements as soon as possible. These improvements must be in place by the time data is being gathered for the final 2030 targets, so it is clear to all whether the targets have been met or not.

The Scottish Government should research and, where possible, quantify the additional costs that particular family types face and incorporate these into its poverty statistics and analysis. This should start by building on existing research in Scotland on the extra costs faced by households with a disabled family member.

1. Introduction

1.1 The purpose of this report

Each year the Scottish Government must publish a progress report setting out the progress it has made towards meeting the child poverty targets and in implementing its Tackling Child Poverty Delivery Plan. There is a statutory requirement, under the Child Poverty (Scotland) Act 2017, for the Scottish Government to consult the Poverty and Inequality Commission when preparing its annual child poverty progress report.

Scottish Ministers must consult the Commission on:

- The progress made during the reporting year towards meeting the child poverty targets
- Whether it appears to the Commission that such progress is sufficient to meet the child poverty targets
- What further progress the Commission considers is required to meet the child poverty targets

The Scottish Government's progress report must include any comments or recommendations made by the Commission on the points above. The Scottish Government's next progress report will cover the period April 2024 – March 2025. The Commission has been asked to provide its views on the progress made during this period.

1.2 The Commission's approach to scrutiny for 2024/2025

In scrutinising progress over the past year, the Commission has focused on the progress that has been made in implementing some of the major commitments in *Best Start, Bright Futures*, the Scottish Government's second Tackling Child Poverty Delivery Plan, covering the period April 2022 – March 2026.

Working with its Experts by Experience Panel,[1] the Commission selected the following areas to focus on:

- Parental employability
- Early learning and childcare and school age childcare
- Affordable Housing Supply Programme
- Fairer Futures Partnerships (previously known as Pathfinders)
- Advice services
- Reducing household costs (fuel poverty, heating and energy efficiency; free school meals; and Connecting Scotland)

[1] The Experts by Experience Panel is made up of 12 people from across Scotland with current or very recent lived experience of poverty. It has been established to ensure that those with lived experience of poverty are involved in all aspects of the Commission's work – advice, scrutiny and advocacy.

These were areas with commitments that might be expected to have a bigger impact on the child poverty targets, that can have a strong impact on people living with poverty, or that appear to occupy a central role in the Scottish Government's approach to tackling child poverty.

To undertake its scrutiny of these areas, the Commission worked with the members of its Experts by Experience Panel between February and April 2025, with groups of two Commissioners and two Panel members focusing on each policy area. Each group met online to review commitments, scrutinise progress and identify questions to ask of Scottish Government. Commissioners and Panel members then met with policy officials and analysts leading on each commitment to discuss and scrutinise progress, and, following the meetings, Scottish Government provided written updates on the commitments and progress. The Commission and Panel met to reflect on what had been learned from the meetings and updates, and to identify significant themes for this report. Building on learning from the process, and the identification of cross-cutting themes, Commissioners developed the recommendations outlined in this report.

In 2024/25, the Scottish Government published child poverty statistics relating to the year 2023/24. This is the year that the interim child poverty targets were due to be met. This report also discusses these statistics and what they mean for progress towards the 2030 targets.

2. What do the child poverty statistics tell us about progress towards meeting the child poverty targets?

Summary

The four interim targets for 2023/24, set out in the Child Poverty (Scotland) Act 2017, have been missed. There are some signs of progress in the most recent data for two of the four target measures (relative and absolute child poverty, more so for the latter). It remains difficult to be confident about the extent of improvement, as the size of the apparent reductions in child poverty are within the range of measurement error. One measure (combined low-income and material deprivation) was close to, but still above, the 2023/24 interim target, but a methodological change in how child material deprivation is measured in the most recent data means it is not possible to compare progress to previous years so it is unclear how much is genuine improvement. The final measure (persistent poverty) was a substantial distance from the interim target, showing a large increase in the most recent data.

2.1 Child Poverty Statistics 2023/24

The official measures of progress towards the four statutory child poverty targets are published annually by the Scottish Government. They are published around one year after the data are collected, so the most recent release relates to data collected during the 2023/24 financial year. This is particularly significant as 2023/24 is the interim target year set out in the Child Poverty (Scotland) Act 2017, which states that the Scottish Ministers must ensure that the following interim targets are met in 2023/24 for children living in households in Scotland:

- **Relative poverty**[2] less than 18%
- **Absolute poverty**[3] less than 14%
- **Combined low-income and material deprivation**[4] less than 8%
- **Persistent poverty**[5] less than 8%

[2] The proportion of children living in households with after housing cost incomes below 60% of the median (mid-point) UK income in the current year – measuring whether the incomes of lower income households are keeping pace with middle income households.

[3] The proportion of children living in households with after housing cost incomes below 60% of the median (mid-point) UK income in 2010/11 after adjustment for inflation – measuring whether the incomes of lower income households are keeping pace with inflation.

[4] The proportion of children in households with incomes below 70% of the median UK income and who also report going without basic goods and services, further explained here.

[5] The proportion of children who have lived in relative poverty (households with incomes below 60% of the median UK income) for three or more of the last four years.

All four statutory child poverty interim targets for 2023/24 have been missed. The table below provides the official estimates for the four child poverty target measures since 2017/18 (the year prior to the Scottish Government's first Tackling Child Poverty Delivery Plan).

	Statistics for each year(s)							Target levels (to be less than)	
	17/18	**18/19**	**19/20**	**20/21**	**21/22**	**22/23**	**23/24**	**2023** (Interim)	**2030** (Final)
Relative poverty (% of children, after housing costs)	24%	23%	26%	-	23%	26%	22%	**18%**	**10%**
Absolute poverty (% of children, after housing costs)	22%	20%	23%	-	19%	23%	17%	**14%**	**5%**
Combined low-income & material deprivation (% of children, after housing costs)	14%	12%	12%	-	9%	12%	9% (See table note below)	**8%**	**5%**
	13-17	**14-18**	**15-19**	**16-20**	**17-21**	**18-22**	**19-23**		
Persistent poverty (% children, after housing costs)	14%	16%	19%	13%	14%	17%	23%	**8%**	**5%**

Table note: The 2023/24 combined low-income and material deprivation measure had a methodological update in this year and so this figure is not directly comparable with the rest of the series prior to 23/24. No data is available for 2020/21 for three of the measures as a result of COVID-19 pandemic disruption to the underlying data sources.

In relation to each individual child poverty measure:

- **Relative poverty** missed the 2023/24 interim target. While showing a decline of around four percentage points compared to the previous 22/23 data, this is within the range of error of the survey. A similar sized change in the opposite direction in the previous year's data (increasing from 23% to 26% between 21/22 and 22/23) was not remarkable, cautioning against interpreting this recent decrease overly optimistically.
- **Absolute poverty** missed the 2023/24 interim target but declined by around six percentage points compared to the previous 22/23 data. While also being within the range of error for the survey, the 23/24 value is a historic low in the time series.
- **Combined low-income and material deprivation** missed the 2023/24 interim target, albeit by a small margin of around one percentage point. This measure underwent significant methodological change between 22/23 and 23/24 (detailed further here). The purpose of the methodological change was so the material deprivation component of this measure better reflects today's society and expectations for living standards. It appears as if this revision may have had the effect of bringing this indicator closer to the interim target than would have been the case using the pre-2023/24 methodology.

- **Persistent poverty** missed the 2023/24 interim target at around three times the target value, and also showed a substantial increase on the previous year's data which is hard to reconcile with the movement of other indicators of poverty. It is uncertain whether this reflects a methodological issue or genuine change.

Overall, while there are some indications of positive movement in some of the indicators, interpretation is hampered by the uncertainty in these measures. In the annex of our 2023-24 scrutiny report last year – as has been the case in previous years – the Commission has noted that this uncertainty means we cannot be particularly confident around the single-year poverty figures, despite their status as statutory target measures. The size of year-to-year changes in child poverty rates are always likely to be smaller than their associated measurement error, making any assessment of improvement or worsening problematic. As a result, while the Commission has concluded that on balance this year's figures represent a tentative improvement on the previous year's (for most target measures), it is not possible to be certain of this.

The high uncertainty for any given single year of data also makes it difficult to answer the question whether or not the interim targets have been achieved. The Commission understands there are a range of challenges being experienced across the UK (and in other countries) in gathering data of the kind used for the child poverty target measures. However, given the statutory nature of the targets and the policy priority that reducing child poverty has in Scotland, the Commission considers the present situation to be highly unsatisfactory.

While the statutory targets are for Scotland alone and progress against them is not judged against other parts of the UK, the Fraser of Allander institute has noted (along with others) that we may be beginning to see divergence of the relative child poverty measure between Scotland and the rest of the UK in the most recent data. This adds some support to the tentative picture of progress given by looking at the Scottish data alone.

2.2 Priority family types

The Scottish Government has defined six 'priority family types' that are at higher risk of poverty and collectively account for around 90% of the children in relative poverty in Scotland. The Commission's child poverty scrutiny report from last year had a particular focus on these priority family types.

The table below provides the most recent estimate of child poverty for the target measures, for each of the priority family types where available. These are multi-year averages for 2021-24 (2019-23 for persistent poverty) in order to give the sample size needed for reporting.

	2021-2024		2023/24	2019-2023
	Relative poverty	**Absolute poverty**	**Combined low-income & material deprivation**	**Persistent poverty**
Interim target (2023/24)	**18%**	**14%**	**8%**	**8%**
Final target (2030/31)	**10%**	**5%**	**5%**	**5%**
All children	**23%**	**20%**	**9%** (See table note below)	**23%**
Youngest child in the household under 1	35%	25%	-	-
Mother under 25 in household	-	-	-	-
Disabled household member(s)	27%	23%	-	15%
Minority ethnic household	37%	31%	-	-
Lone parent in household	36%	32%	-	-
3+ children in household	41%	36%	-	-

Table notes: 2023/24 only - Due to a methodology change there is a break in time series and the combined low-income and material deprivation figure is for the single 2023/24 year rather than the three- or four-year figures for the other target measures.

As has been the case in previous years, the priority family types remain at higher risk of poverty than average, and at broadly similar levels to previous years. As has also been the case in previous years, there continue to be data gaps for some groups, and this year it has not been possible to publish data for the 'combined low-income and material deprivation' measure for any of the priority family types. In contrast to last year (where no data was published), it has been possible to report on the 'persistent poverty' measure for one priority family group (where there is a disabled household member). This shows a lower persistent poverty rate in these households (15%) than the average (23%) for all children. This is contrary to what would be expected from other data and raises further questions about the consistency of the persistent poverty measure with other target measures.

It is also important to note that some groups face additional costs that are not all accounted for in the headline poverty statistics. For example, households where there is a disabled adult or child can face additional costs associated with illness or disability. The Scottish Government publishes poverty statistics with disability benefits removed which is one way of attempting to understand and quantify this difference. The Commission is aware that disabled people frequently report that the additional income they receive from disability benefits is often used to cover their basic costs of living (rather than their intended purpose of supporting the additional costs of the disability), and that the cost of a disability can vary substantially from household to household. The Fraser of Allander Institute and the Poverty Alliance have conducted recent research on this for the Scottish Parliament Social Justice and Social Security Committee, and the Commission would like to see the Scottish Government further support and explore the incorporation of the additional costs faced by some groups in their work on poverty data improvement.

3. What progress has been made in 2024/2025 towards meeting the child poverty targets?

Summary

Delivery of the Scottish Child Payment continues to be a success and make a big difference for families, but the Scottish Government has made limited progress in 2024/25 on delivering the other major actions set out in *Best Start, Bright Futures*. The funding allocated for significant commitments, such as early learning and childcare and school age childcare, has been nowhere near sufficient.

The Scottish Government has reduced its ambitions in a number of areas to what it believes can be delivered within its revenue raising and spending plans. It has also put an emphasis on lower cost actions, such as the Fairer Futures Partnerships. In other areas such as employability and affordable housing supply, based on the current trajectory, it does not look like the Scottish Government will deliver on its stated aims.

The Scottish Government did make a major new commitment in 2024/25 to mitigate the impact of the two-child limit by 2026. This is a very welcome action which will have a direct impact on child poverty rates.

This section summarises the progress that has been made in 2024-25 in delivering the actions set out in *Best Start, Bright Futures*, and the Commission's views on this progress. It draws on the scrutiny meetings between the Commission, Panel and Scottish Government; written material provided by Scottish Government; other published material; and follow-up discussions where Commissioners and Panel members reflected on the scrutiny meetings and additional material.

3.1 Social security - the Scottish Child Payment and proposals to mitigate the two-child limit[6]

The Scottish Child Payment forms a key plank of the Scottish Government's action to tackle child poverty and it is likely that it is responsible for much of the reduction in child poverty that can be seen in the latest statistics. In April 2024 the Scottish Child Payment was uprated by inflation to £26.70 per week, and, Social Security Scotland statistics show that, as of 31 December 2024, 326,080 children aged 0-15 years were receiving the Scottish Child Payment.

It is estimated that the take-up rate of the Scottish Child Payment for 2023-24 (the latest take-up rates available) was 89% of eligible children under 16.

[6] The Commission did not hold a scrutiny meeting focus on the Scottish Child Payment or proposals to mitigate the two-child limit, but has reviewed relevant published material.

This shows growing take-up of the Scottish Child Payment since its extension to 6-15 year olds in November 2022. The estimated take-up rate for children aged under 6 in 2023/24 is 97%, suggesting that awareness of the benefit is higher among parents of young children and that the take-up rate for children under 16 is likely to increase over the next few years.

As part of its 2025/26 Budget, the Scottish Government announced that it plans to mitigate the impact of the two-child limit from 2026, or earlier if feasible. The two-child limit, introduced in 2017 by the UK Government, means that the Universal Credit child element is paid only for the first two children in a family, with some limited exceptions. The Scottish Government is proposing a payment equal to the UC child element for each third and subsequent child in Scotland impacted by the two-child limit. It has begun development work on this and is consulting on options for delivering the mitigation. The Scottish Fiscal Commission has forecast that this will cost £155 million in 2026/27. The Commission welcomes this commitment, which could potentially reduce child poverty rates by two percentage points from 2026/27.

3.2 Employability

What did Commissioners and Panel members want to know about progress on employability?

Commissioners and Panel members wanted to know:

- How budget challenges in recent years have affected progress on employability delivery, and what progress has been made on multi-year funding for the future.
- What evidence the Scottish Government has, or intends to gather, on who is being reached by employability services, employment outcomes, and what it believes that 'good' for employability services looks like.
- What progress has the Scottish Government made to support people or groups who face particular barriers such as parents, people with fluctuating conditions, and those who require particularly intensive support to enter and progress in work.
- What explains the higher economic inactivity rates in Scotland compared to the rest of the UK, and what kind and scale of activity would made a difference to this.

In *Best Start, Bright Futures*, the Scottish Government said it would support up to 12,000 parents into work and support up to 3,000 already in-work parents to increase their earnings, supported by increased investment in employability support. The Scottish Government estimated that this could achieve up to a two percentage point reduction in child poverty. Parental employability support is now primarily provided through No One Left Behind, delivered by local employability partnerships, following the closure of Fair Start Scotland to new referrals in March 2024.

Funding has been an ongoing issue for employability support, with the Scottish Government making significant in-year cuts in 2022/23, and then restoring funding in 2023/24. The 2024/25 Scottish Government Budget allocated £86.3 million for the 'employability and workforce skills' budget line, a 13% reduction compared to the 2023/24 Budget, though Scottish

Government notes that it has protected funding for Parental Employability Support. In addition, there were delays in the Scottish Government confirming funding to local authorities for the delivery of No One Left Behind, with Grant Letters for the first quarter of funding for 2024/25 only issued on 2 May 2024[7], and release of the full employability budget not confirmed until June 2024. This level of uncertainty makes it difficult for local employability partnerships to plan.

The most recent statistics, which cover up to September 2024, show that the number of parents who have started to receive support has generally increased, reaching a high of 7,581 parents in the most recent full year (2023/24). More parents started receiving support in Quarter 1 and 2 of 2024/25 (3,774) than in Quarter 1 and 2 of 2023/24 (2,983), but there will need to be an increase in numbers in Quarters 3 & 4, if the total number of parents supported in 2024/25 is not to fall below 2023/24 levels.

In terms of outcomes, the statistics show that between April 2020 and September 2024, of the 20,369 parents supported under the No One Left Behind approach, 5,338 (26%) entered employment. Of these 2,913 (55% of those who entered employment) were in employment at 4 weeks, 2,576 (48%) at 13 weeks, 2,045 (38%) at 26 weeks, and 1,142 (21%) at 52 weeks. These figures are likely to underestimate the number of parents who sustain employment for the longer periods, as they include parents who may have only moved into work recently and therefore have not had the opportunity to sustain it for longer periods.

While figures for outcomes for parents broken down by priority family types are currently not available, the data for all participants supported through No One Left Behind show that participants from minority ethnic groups were less likely to enter employment (22%) compared with white participants (32%), and that disabled participants were less likely to enter employment (21%) than people without a disability (35%).

Some parents would also have been supported into employment through the Fair Start Scotland Programme during this period. The statistics are not published in a way that aligns with the timescales of the commitment, but they do provide a more accurate measure of those sustaining employment, as they calculate the proportion of parents sustaining employment for different periods of time where enough time has passed in pre-employment support and post-support for those outcomes to be achieved. There were 15,429 parents who started receiving support through Fair Start Scotland between April 2018 and September 2023.

Job outcomes show that 38% of parents (5,295 of 13,797) entered employment, 29% sustained employment for 3 months (3,798 of 13,052), 24% sustained employment for 6 months (2,971 of 12,260) and 19% sustained employment for 12 months (1,971 of 10,441). Disabled parents, lone parents and mothers under the age of 25 were less likely to enter and sustain employment than all parents, while parents from a minority ethnic group were slightly more likely to enter employment and sustained it at around the same rate as all parents.

[7] Written question and answer: S6W-27019 | Scottish Parliament Website

The 2025/26 Scottish Government Budget has allocated £98.1 million for employability (an 18% increase on the 2024/25 Autumn Budget review figure). The 2023/24 Scottish Government Tackling Child Poverty progress report said that the Scottish Government would work to progress its commitment to future multi-year funding for No One Left Behind, in order to provide greater certainty to the sector. This has not yet happened, but in order to try to provide some level of certainty for 2025/26, Letters of Comfort were issued to all 32 local authorities to support planning ahead of formal Grant Letters being issued.

On the current trajectory, it continues to be very unlikely that the Scottish Government will meet its aim of supporting 12,000 parents into work by the end March 2026. It is not clear what evidence there is of parents increasing earnings from employment. There is also a lack of information in *Best Start, Bright Futures* documentation about how the original 12,000 figure was reached, that would allow the Commission to assess whether not meeting this is a result of funding and funding uncertainties, problems in implementation, or whether the figure was not realistic in the first place.

Reflections from Commissioners and Panel members on what they heard from the Scottish Government about employability

Commissioners and Panel members appreciated the information and explanation from officials of progress on employment support. However, they remained concerned that not enough was being done to change the trajectory of employment trends in Scotland in a way that will reduce child poverty to the extent needed. Commission and Panel members reflected that while the strategies and plans had the right aims and ambitions, lived and reported experiences suggested practice 'on the ground' can sometimes fall short of the Scottish Government's ambition and expectations.

Commissioners and Panel members noted that, despite the various data and statistics currently available on Scotland's devolved employability services, there remain important gaps in understanding of the reach and effectiveness of employability services, and the contribution they are making to reducing child poverty. They noted the explanation given by officials of their plans to improve data collection and evidence in this regard. They also considered that there appears to be a lack of data gathered on job quality and on whether the employment being accessed is compatible with the Scottish Government's Fair Work Principles.

Commissioners and Panel members observed that some groups of people who are furthest from employment require very intensive support to engage or re-engage with the labour market. While understanding the challenges that have arisen from the current budget and fiscal environment, they remained concerned that the kind of long-term sustained support this group needs will not be available at the levels required to make a difference to the child poverty targets.

3.3 Early learning and childcare

What did Commissioners and Panel members want to know about progress on delivering early learning and childcare commitments?

Commissioners and Panel members wanted to know:

- What action was being taken to improve uptake of funded early learning and childcare, particularly for eligible two year olds.
- How early learning and childcare was connecting to other policies and services, such as transport and flexible employment.
- What evidence there was that early learning and childcare was helping parents enter and progress in employment, and what barriers there might be, such as lack of flexibility or additional costs.
- What was happening to address capacity issues in the sector.
- What progress was being made in developing a funded early learning and childcare offer for one and two year olds from low-income households.

Parents need affordable, accessible, flexible, high quality childcare to be able to take up and sustain work. The Scottish Government delivered on its commitment to provide 1,140 hours of funded early learning and childcare for all three and four year olds and some eligible two year olds from August 2021. In *Best Start, Bright Futures* it committed to working with local authorities to increase uptake of the eligible two year old offer.[8]

The Scottish Government has continued to fund local authorities to deliver the existing 1,140 hours for three and four year olds and eligible two year olds, and invested £16 million in 2024/25 so that staff who deliver funded early learning and childcare are paid the Real Living Wage. Take-up of early learning and childcare for three and four year olds remains high, with figures showing it was 95% in 2024, down slightly on 97% in 2023.

In August 2024 the Scottish Government published an interim evaluation report on the expansion to 1,140 hours. It found that parent satisfaction with funded early learning and childcare was generally high (93% 'fairly' or 'very' satisfied with the provision they received in 2022), and had tended to increase over time, and that fewer families were having to pay for additional hours of childcare to meet their needs. However there were still some issues in relation to flexibility, with some parents not able to get the sessions they wanted at their preferred setting, and around three in ten parents of children with additional support needs had difficulties accessing funded early learning and childcare in 2022. It is not yet clear from the evidence available what impact the expansion has had on enabling parents and carers to enter or progress in employment, and the degree to which it has lifted households out of poverty as a result.

[8] Scotland offers funded early learning and childcare to all three and four year olds and eligible two year olds, regardless of parents' working status. Eligibility for two year olds is determined by receipt of qualifying benefits, or if the parent or child has experience of care.

The estimated uptake for eligible two year olds increased to 59% in 2024 (from 52% in 2023), and the Scottish Government is working with local authorities on a National Improvement Project to maximise uptake for eligible two year olds. This is a joint project with the Improvement Service which is providing specific intensive support to five local authorities (Aberdeenshire, Falkirk, Glasgow, North Ayrshire and North Lanarkshire), alongside developing a programme of online content which will be available to all local authorities. This builds on the collaboration between the Scottish and UK Governments to enable data sharing to identify eligible families.

The Scottish Government also committed in *Best Start, Bright Futures* to develop funded offers within this Parliament for early learning and childcare for children aged one and two, starting with low-income households. The Commission's 2023/24 scrutiny report noted that the funding being allocated to further early learning and childcare expansion did not appear sufficient to make the progress needed to deliver it in full. Around £32 million was initially allocated in the 2024/25 Scottish Government Budget for further early learning and childcare expansion. This was a substantial increase on the previous 2023/24 Budget (which was around £10 million), though it appears that much of this increase was to ensure that staff delivering funded early learning and childcare were paid the Real Living Wage.

While there was some increased funding in 2024/25, this was nowhere near sufficient to enable real progress to be made on this commitment, and, when taken alongside the continuing challenges around workforce capacity, it is clear that this commitment will not be delivered by May 2026.

Reflections from Commissioners and Panel members on what they heard from the Scottish Government about early learning and childcare

Commissioners and Panel members noted significant work in this policy area. However, they noted that the Scottish Government had not prioritised allocating funding to develop funded offers for children aged one and two, starting with low-income households. Prioritising this would likely lead to benefits to families and should be considered.

While there has been an increase in the estimated uptake of early learning and childcare for eligible two year olds, it is still only 59%, which is too low. Whilst they heard of potentially positive plans to improve this, Commissioners and Panel members felt that more focus was needed on this, beyond existing planned action, to improve take-up, and that this would require concerted efforts across central and local government, including using person-level data to support take-up.

Commissioners and Panel members were concerned that there was a lack of data about the impact of funded early learning and childcare on employment outcomes for parents and carers, although they noted that more evidence should be available in the final evaluation report of the 1,140 hours expansion, due at the end of 2025.

3.4 School age childcare

What did Commissioners and Panel members want to know about progress on delivering school age childcare?

Commissioners and Panel members wanted to know:

- How had the commitment on school age childcare been rescoped by Scottish Government, and what were now considered deliverable options for school age childcare.
- What progress had been made on school age childcare in the last year.
- What work was being taken forward by the Scottish Government and the Care Inspectorate to look at the future regulation of school age childcare services.

In *Best Start, Bright Futures*, the Scottish Government committed to building a system of school age childcare, offering care before and after school, and during the holidays by the end of this Parliament (up to May 2026). In last year's scrutiny report, the Commission noted that, while a lot of work had been done to understand local needs and start to co-design solutions as part of the early adopter communities, this was not equivalent to building a system of school age childcare. There did not appear to be a clear path to delivery at scale, nor the funding or resources to support this.

In 2024/25 the level of investment in the development of the school-age childcare programme has continued to be modest (£13 million) in comparison to what is needed to build a fully national system. While the Scottish Government has said it remains committed to building a system of school age childcare, targeted to children and families who need it most, it has acknowledged that it has not allocated the funding needed to deliver the original commitment. The programme has been rescoped for 2024/25, within the allocated resources, with the focus on learning through the Early Adopter Communities, Access to Childcare Fund, and Extra Time Programme, rather than on delivering at scale. The rescoped commitment covers:

- Delivering school age childcare services in specific communities in six local authority areas through the Early Adopter Community work, as well as through existing service level delivery models
- Starting to design and prototype a digital childcare service, to reduce the access and financial barriers that target families experience when navigating the childcare system
- Expanding the 'Extra Time' programme delivered in partnership with the Scottish Football Association providing funded breakfast, after school and holiday clubs for target families across Scotland

As of March 2025, the Early Adopter Communities had been expanded from four to six, working in 22 communities in 6 local authority areas across Scotland. They were supporting around 600 children, from over 400 priority families, to access school age childcare and wider family support services. The 'Extra Time' Programme was funding 31 football clubs and trusts to deliver school age childcare options for 3,000 children from low-income families each week. Over a further 600 children were also being supported through Access to Childcare Fund projects.

There are continuing challenges around workforce capacity in the sector and the Care Inspectorate and Scottish Government have begun work on a joint feasibility study to consider the future regulation of school age childcare services. This will look at the challenges and opportunities with the current regulatory system and what might be a proportionate approach to regulation in the future.

The rescoping of this commitment, alongside the Scottish Government's focus on existing early learning and childcare delivery rather than expansion, means that the anticipated contribution of childcare towards meeting the child poverty targets will not be delivered without a major change in investment choices.

Reflections from Commissioners and Panel members on what they heard from the Scottish Government about school age childcare

As with early learning and childcare, funding was the major constraint on what was being delivered in relation to school age childcare, and Commissioners and Panel members considered that the Scottish Government had not prioritised funding to deliver its original commitment.

Commissioners and Panel members considered that the tests of change being undertaken in the Early Adopter Communities, Extra Time Programme and Access to Childcare projects were worthwhile, because learning from them seemed to be being used. They appreciated the openness from Scottish Government about where improvement was needed and how data was being used to support improvement. However, while Scottish Government seemed to have identified barriers, it was less clear what was being done to address them. There was also a lack of data about whether school age childcare actions were supporting parents and carers to take up work.

Overall, Commissioners and Panel members considered that the limited scope of the Scottish Government's revised commitment meant that it would not contribute on any scale to reducing child poverty. Much greater investment will be required if the original intention is to be delivered.

3.5 Affordable Housing Supply Programme

What did Commissioners and Panel members want to know about progress on affordable housing?

Commissioners and Panel members wanted to know:

- What contribution the Affordable Housing Supply Programme makes to reducing child poverty, and what evidence underpins this.
- How the Affordable Housing Supply Programme operates to ensure that housing is available and accessible to different family types and needs, particularly for households with a disabled family member and larger households.
- What are the prospects for meeting the delivery target of 110,000 homes by 2032, and what has been the impact of budget challenges on progress towards this target.

- How the Affordable Housing Supply Programme connects to related housing policy (such as policy to reduce homelessness).
- The rationale for the commitment to invest £100 million (and grow with private investment) in mid-market rent, the impact this commitment is expected to have, and the timescales to deliver it.

The Scottish Government has committed to delivering 110,000 more affordable homes between March 2022 and 2032, including 70% for social rent, and 10% in remote, rural and island communities. There was also a new commitment given, as part of the 2024 Scottish Government Programme for Government, to invest £100 million for 'mid-market rent', intended to grow with private investment to £500 million, to support the construction of around 2,800 mid-market rental homes across Scotland.

The Scottish Government reduced the budget for the Affordable Housing Supply Programme, between 2023/24 and 2024/25 by around £175 million (reducing the budget to £596 million in 2024/25). In last year's scrutiny report, the Commission noted the risk this posed to delivery of the affordable homes commitment, particularly in the context of the existing challenges of increased costs of construction and supply chain delays.

Against the 110,000 target, 26,039 homes have been delivered between March 2022 and December 2024 (with 77% for social rent) – less than one quarter of the planned total. The continued slowdown of approvals and starts (which indicate the trajectory of homes that will be completed in future years) suggests that - without a significant increase in pace - delivery of the commitment continues to be at risk. For 2025/26 the Scottish Government has increased the affordable homes funding to £768 million, taking it broadly back to 2023/24 levels of spending in real terms, although this remains lower than the funding in 2022/23.

In terms of the Programme for Government commitment to invest more in mid-market rent, the Scottish Government has clarified that this is a 'long-term commitment over several financial years', and is currently in the planning/market testing stage. Therefore it appears unlikely to make an impact on child poverty rates in the short term.

Scottish Government decisions to reduce funding, and uncertainties about levels of funding year on year, make it difficult for the sector to plan for the delivery of additional affordable homes. The Scottish Government has acknowledged the benefits of being able to provide a stable planning platform, and said that this will inform thinking about the next Scottish Spending Review. In the absence of multi-year budgets, the Affordable Housing Supply Programme operates on the basis of not committing more than a certain proportion of the current year's budget into future years, on a decreasing basis. This operates as follows: a maximum of 80% of the current year's budget can be committed into the following year (Year 1), 60% of the current year's budget into the year after that (Year 2) and 40% of the current year's budget into the year after that (Year 3). This limits forward legal commitments whilst still allowing affordable housing projects which require multi-year funding commitments to proceed.

The Scottish Government does not collect data that would allow it to analyse how many children experiencing poverty benefit from its affordable housing investment or the proportions that are allocated to households from all the priority groups. Based on Scottish Household Survey data, it has estimated that around a third of households benefiting from the affordable housing supply programme will be households with children. It is for local authorities to assess housing need and demand in their area, and to set out how the requirement for housing will be met through their Local Housing Strategies and Strategic Housing Investment Plans, including the location, size and type of housing required. Guidance on Strategic Housing Investment Plans has been updated to say that appropriate links should be made to the Local Child Poverty Action Report, but guidance on Housing Need and Demand Assessment, and Local Housing Strategies, does not set out any requirements in relation to child poverty.

The Affordable Housing Supply Programme has the potential to contribute to reducing child poverty through reducing housing costs. However, the lack of data around who is benefiting, and limited information about the extent to which the housing being built meets the needs of families in poverty, such as larger families, and families with a disabled member, makes it impossible to fully understand its contribution or how to maximise it.

Reflections from Commissioners and Panel members on what they heard from the Scottish Government about affordable housing

Commissioners and Panel members noted that budget allocation decisions made by the Scottish Government had put the Affordable Housing Supply Programme in a very challenging delivery position. They believed that, unless funding in future years is increased and is put on a more stable footing to help support capacity in the sector to deliver, it seemed unlikely the 110,000 homes by 2032 target would be met.

Commissioners and Panel members recognised that the Affordable Housing Supply Programme has the potential to make a meaningful contribution to reducing child poverty. However there was uncertainty around what impact it was actually making due to the way it is delivered and what data is being gathered to understand impact. They noted that better data on occupancy would be needed to answer this question more decisively. Commissioners and Panel members reflected that the delivery model of the Programme leaves a lot to local determination, and, based on lived and reported experience, they had concerns that the types of housing in some areas did not meet need, particularly around accessible homes, and homes for larger families.

Commissioners and Panel members understood the rationale given for the commitment to invest in mid-market rent in terms of freeing up housing supply in other types of homes, but felt that, given it was a longer-term commitment over multiple financial years, its direct contribution to meeting the final child poverty targets was uncertain.

3.6 Fairer Futures Partnerships

What did Commissioners and Panel members want to know about progress with the Fairer Futures Partnerships?

Commissioners and Panel members wanted to know:

- How are individual Partnerships, and the whole programme, expected to impact on households' material circumstances and reduce child poverty.
- What evidence is emerging about the impact of the Fairer Futures Partnerships on child poverty, households' material circumstances, and on longer term impacts.
- How does this work differ from past attempts to provide local, holistic support for families in poverty.
- What does 'systems change' mean in this context and what connections are being made between this programme and other national systems change work.
- How is learning being shared across the partnerships.

In *Best Start, Bright Futures*, the Scottish Government committed to identifying a small number of 'Pathfinder' areas between 2022-26 to work on a new phased approach to delivering local, holistic, person-centred support. This developed into pathfinders in Glasgow, Dundee and Clackmannanshire.

In the 2024-25 Programme for Government, the Scottish Government committed to expand this work, now known as the Fairer Futures Partnerships, and in September 2024, five new partnerships were agreed in Perth and Kinross, Inverclyde, Aberdeen City, East Ayrshire and North Ayrshire. The Scottish Government allocated £1.57 million in funding for 2024/25 for the existing partnerships and the expansion.

Support has been offered to over 4,500 individuals and families in the three original partnerships (Glasgow, Dundee and Clackmannanshire) since the initiatives began. Examples of the kinds of activities undertaken by the partnerships that directly impact on the drivers of child poverty include joining up with employability provision, and shaping new approaches to this provision, providing income maximisation services, and providing support with accessing childcare and housing. In addition, the partnerships aim to tackle wider barriers that may prevent people from taking steps to improve their material circumstances, for example, by improving confidence, health and wellbeing, and engagement with and trust in support. The local authorities are using learning from the partnerships to try to improve services, and develop new ways of working across services, that can be applied across the wider local authority.

The Scottish Government has articulated a set of core features of the Fairer Futures Partnership approach, which are:

- Locally driven, place-based, targeted tests of change
- Focus on tackling child poverty and the drivers of poverty
- Community voice
- Reforming services to put people first

- Shift to prevention
- Doing data differently
- Value for money
- Designing for sustainability
- Learning and sharing knowledge

The Commission recognises the immediate benefits that may be experienced by households supported by the partnerships. Nevertheless, it still has concerns about the lack of clarity about how the partnerships, and the programme as a whole, will contribute to reducing child poverty, particularly in light of the emphasis placed on the role of Fairer Future Partnerships in the Scottish Government's work to tackle child poverty, and the intentions for scaling up. Evaluations of three original partnerships are set to report Spring 2025 and it may be that the evaluation will provide greater clarity about the contribution the Partnerships can make.

The Partnerships do not all specifically target support towards particular groups, such as the priority family types, although Scottish Government has said that as the places selected for tests of change have high levels of poverty it would expect priority groups to feature heavily in those communities. Some Partnerships are looking at how to meet the needs of particular groups, such as families with children with additional support needs. In *Best Start, Bright Futures*, the Scottish Government said that it intended to further develop, and strengthen its understanding of, an intersectional approach to inequalities through the pathfinders. While Partnerships are taking person-centred approaches, at present there is no clear evidence whether this is being informed by an understanding of intersectional inequalities.

The Scottish Government has said that Fairer Futures Partnerships are intended to enable targeted tests of change, with a view to successful approaches being scaled and/or more widely adopted and adapted within local authorities and across Scotland over time. Learning and knowledge sharing are a key part of this and discussions are ongoing with further potential partnership local authorities.

As it stands, the Partnerships are providing person-centred support to relatively small numbers of households in particular areas, and it is not clear to the Commission what scaling up would look like. So far the expansion of Partnerships has involved local authority areas that have expressed an interest and generally have existing supportive criteria already in place. Expansion may be more challenging in other areas. The earlier process evaluation found that many partners considered that whole systems change would take at least five to seven years of sustained commitment to embed, before longer term impacts on reducing child poverty would be visible, and that this was considered to require a commitment to long-term funding, and scaling up was seen as requiring significant additional investment.

Reflections from Commissioners and Panel members on what they heard from the Scottish Government about the Fairer Future Partnerships

Commissioners and Panel members thought that a local, person-centred approach would undoubtedly be helpful for some households, particularly in the short-term. However, the mechanisms by which the Partnerships are intended to improve households' material circumstances and reduce child poverty were not clear. They noted concerns that there is not yet a whole programme theory of change setting out how the programme is designed to impact on child poverty, although officials have said that this is in development. They thought there was scope to establish a renewed focus on the drivers of poverty and improving the material conditions of those in poverty.

Commissioners and Panel members were also concerned that the approach was only being delivered in a small number of areas and it was unclear how the programme could be delivered at the scale (locally and nationally) and pace required to contribute substantially to meeting the child poverty targets. Furthermore, they highlighted the risks of any attempts to scale up when it was still unclear to what extent the approach was reducing child poverty.

3.7 Advice services

What did Commissioners and Panel members want to know about progress with commitments on advice services?

Commissioners and Panel members wanted to know:

- What criteria or priorities guided the distribution of the £12 million allocated for advice services in 2024-2025.
- What are the main risks to the sustainability of funding for advice services and how are these being managed. What happens if local funding cannot be found to continue to deliver Welfare Advice and Health Partnerships.
- What strategies are being considered to raise awareness of advice services, given the lack of funding for paid-media campaigns.
- How does access to advice services vary across the country and how are barriers to access, such as transport, being addressed.
- How are advice services ensuring they reach the child poverty priority family types, and those who are not already accessing some kind of service.
- Is feedback being collected from service users and used to improve advice services.
- How is Scottish Government analysing information from services and using it to learn about what works.

Income maximisation, and particularly increasing income from social security, has an essential and direct role in reducing child poverty. Access to advice services can support families to maximise their income by claiming what they are entitled to, reduce their costs, and manage debt. For households currently

in child poverty, this can contribute to moving them towards, or over, the poverty line. In *Best Start, Bright Futures*, the Scottish Government committed to investing £10 million to increase access to holistic advice services, including Welfare Advice and Health Partnerships, between April 2022 and May 2026. It also said that it would work with Health Visitors to ensure all families receive the financial advice they need, rolling this out by the end of 2024, and increase access to money advice by expanding the Family Nurse Partnership Programme to first-time mothers under 21 and, where capacity allowed, care-experienced mothers under 25, to support an additional 500 families a year by 2025.

The commitment to invest in access to holistic advice services is being delivered through the Advice in Accessible Settings Fund and Welfare Advice and Health Partnerships. Up to the end of March 2025 the Scottish Government had invested £7.3 million, made up of £2.5 million on the Advice in Accessible Settings Fund and £4.8 million on Welfare Advice and Health Partnerships. This funding forms part of wider Scottish Government funding for the provision of free income maximisation support, welfare and debt advice. This wider funding totalled over £12 million in 2024/25 and includes funding for the Money Talk team service delivered through Citizens Advice Scotland, alongside funding for Advice Direct Scotland, One Parent Families Scotland and a range of other organisations.

The Advice in Accessible Settings Fund supports and encourages partnerships between advice providers and other community based services. It started in July 2023 and was expanded in 2024/25 to 30 projects involving over 80 organisations. It supported over 9,000 people between July 2023 and the end of December 2024, with a large proportion belonging to a priority family type. In total there has been £16 million of financial gain for individuals receiving support. In the first 9 months of 2024/25, the Money Talk Team at Citizens Advice Scotland supported 46,000 people, about 20% of whom were from priority family types. Gains totalling over £8.6 million have been recorded for 2,131 of those priority family clients.

The Welfare Advice and Health Partnerships integrated Welfare Rights Advisors within clinical teams in 180 GP practices in areas of high deprivation and in rural areas. The Improvement Service published an evaluation in August 2024 which found that over 16,000 individuals used the service, and there were financial gains for individuals of £23 million. Just over one in five of those accessing the service were families with children[9], and just over one in ten were single parents. Almost half of people receiving advice had a disability or long-term condition, while nearly nine out of ten had not asked for advice before.

[9] The evaluation suggests the number of families may be lower than would otherwise have been expected because in Glasgow at the time there was also another initiative to support families called the Healthier, Wealthier Child initiative which also referred families for advice. More families may have been getting advice through this route in Glasgow rather than through GP surgeries.

The Scottish Government is now taking a tapered funding approach to Welfare Advice and Health Partnerships, where it is reducing its funding over time and expecting funding to be replaced in stages by local partner funding. The Scottish Government contribution to funding in 2024/25 is £645k, compared to £1.6 million in 2023/24. The number of practices involved has reduced from 180 to around 160, as some have not continued to deliver the service. While recognising that there is a balance between national and local funding, given the important role this model can have in maximising social security entitlement, the Commission considers that this tapering approach to funding presents unacceptably high risks to the continuation of a project which is supported by positive evaluation evidence.

In relation to the commitment to work with Health Visitors to ensure all families receive the financial advice they need as part of the Universal Pathway, a pilot of the Money Guiders programme for Health Visitors took place in 2024 and Scottish Government offered all Health Boards the chance to roll it out to their Health Visitors and Family Nurses. The opportunity to access the programme was provided to Child Poverty Leads within each Board. This has been taken up by Child Poverty Leads across four Health Boards (NHS Lanarkshire, Lothian, Orkney, and Shetland). It is not clear to the Commission, at this stage, what this means in terms of numbers of health visitors accessing the training and the extent to which families will benefit from this.

The Scottish Government has worked with NHS Boards to widen the eligibility criteria of the Family Nurse Partnership programme, which has now reached an additional 500 families per year in the older age group, meeting its commitment in this area. Increasing access to money advice is only one of many aspects of the Family Nurse Partnership programme, and, while the Family Nurse Partnership directly focuses on supporting young mothers (one of the priority family types) it is not clear what evidence there is about the impact of this aspect of the programme.

The Scottish Government has not been able to invest in any paid-for media to promote advice services in 2024/25 due to a lack of budget, and visits to its Cost of Living website have been declining.

The Scottish Government has confirmed that its approach to the funding of advice services is to support a range of delivery methods, including telephone, online and face-to-face, since accessibility can mean different things to different people. The aim of its Advice in Accessible Settings Fund is to try to increase access by providing advice in places where people already go. The Scottish Government notes that, while people from Black and Minority Ethnic communities are under-represented within mainstream advice services, they make up approximately 13% of clients receiving advice through this programme. This is a higher proportion than the 7.1% of Scotland's population coming from a Black or minority ethnic background reported in the 2022 Census. The Scottish Government also notes that, through discussions with disabled people's organisations, it has identified that disabled people may face barriers to accessing advice, and will look to address some of these barriers through the Advice in Accessible Settings Fund in 2025/26.

Reflections from Commissioners and Panel members on what they heard from the Scottish Government about advice services

Commissioners and Panel members noted that there was a lot of work on advice services, but they were concerned that information about the services that were available was not necessarily getting to the people who needed it. Based on lived and reported experience, there were also concerns that provision was patchy in terms of accessibility, with not everyone having the same level of access to advice services.

Funding sustainability was an area of concern for Commissioners and Panel members. This was particularly the case for Welfare Advice and Health Partnerships funding, where it was considered that the Scottish Government's planned tapered approach to funding presented an unacceptably high risk, given the strong evidence for the positive benefits of the approach. It was thought there was potentially a disconnect between learning and evaluation, and improvement and future investment, with evaluation reports being seen as an outcome in themselves, and a lack of clarity about who took responsibility for taking action on the recommendations.

Commissioners and Panel members considered that advice services had a vital role to play in maximising household incomes, through improving benefit take-up, in order to tackle child poverty. They thought that child poverty did not always come across as a strong enough focus for advice services and that the scale and ambition of action on advice services was not enough to maximise their contribution to meeting the child poverty targets.

3.8 Reducing household costs: fuel poverty, Connecting Scotland, free school meals

The Commission's Experts by Experience Panel identified the importance of looking at action to address household costs in this scrutiny report. While some of the action to address these costs does not directly impact on most of the child poverty targets, these issues can have a significant impact on families' resources and wellbeing.

3.8.1 Connecting Scotland

What did Commissioners and Panel members want to know about progress with Connecting Scotland?

Commissioners and Panel members wanted to know:

- What progress had been made towards the commitment to bring 300,000 people/households online by the end of 2026.
- What partners the Connecting Scotland programme relies on, and how it is managing the risks created by the increasing financial pressures some partners will be facing.
- How the Connecting Scotland programme is building on the resources already in place and working with local industry experts.

- How the Scottish Government ensures that households from the child poverty priority family types are a priority for the programme.
- If the reallocation of £10 million in capital funding from the Education budget impacted progress for the Connecting Scotland programme in 2024-25.
- What the Scottish Government knows about regional variations in the delivery of the programme.

The original Connecting Scotland programme was established by Scottish Government during the pandemic and provided people who were digitally excluded or on low-incomes with devices, internet access, and training and support. In *Best Start, Bright Futures*, the Scottish Government committed to bringing 300,000 people online by the end of 2026, backed by £200 million, with a particular focus on low-income families from the six priority household types. However, as set out in the Commission's 2023/24 scrutiny report, the Scottish Government did not allocate the funding to deliver this, and a new business case was developed which moved away from direct provision of devices and connectivity to a one-to-many support model (e.g. device lending libraries or making devices available in community spaces).

Since August 2023, the Connecting Scotland programme has delivered 39 grant-funded digital inclusion projects via the Scottish Council for Voluntary Organisations, through three main delivery streams: lending libraries, housing and place-based funds. The Scottish Government does not have direct figures for progress against the original target, but estimates that since May 2021, it has supported 32,740 households to get online through a range of digital inclusion initiatives. It is not clear how 'getting online' is defined, and while the priority family types were identified as one of three key groups in the business case, it is not clear the extent to which they are represented amongst those supported by the projects.

In its Programme for Government 2024/25, the Scottish Government said that it would "invest £10 million capital in targeted device and connectivity provision for our most disadvantaged households with children." The Commission understands that this capital funding in Education budget had been earmarked to deliver devices to households with children with support from Connecting Scotland programme. However, in August 2024, it was reported that Councils were asked to redirect the £10 million that would have supported this work to fund public sector pay deals. The Commission understands this funding is set to be reinstated for 2025/26.

In addition to the funded projects, in 2024/25, the Scottish Government has commissioned research into a Minimum Digital Living Standard (MDLS), and taken forward the Digital Inclusion Alliance.

It is clear that the current Connecting Scotland model will not deliver the original commitment to bring 300,000 households or individuals online by 2026. The Scottish Government now says that it remains committed to supporting as many people as possible to get online via its current programme. At current levels of funding, and with a lack of clarity about if or how the priority family types are being reached, Connecting Scotland is unlikely to make any significant contribution towards meeting the child poverty targets.

Reflections from Commissioners and Panel members on what they heard from the Scottish Government about Connecting Scotland

Commissioners and Panel members thought that increasing access to devices, including through a one-to-many approach, would have a positive impact on those households supported. However, they did not think the programme, in its current form, would make much positive impact on child poverty, and were concerned that the shift to a one-to-many approach would not meet the needs of many low-income households, including the Panel members involved in the scrutiny. They were also concerned about the effects on digital connectivity of the in-year reallocation of £10 million from the Education budget that had been earmarked to provide devices to households with a school child. Commissioners and Panel members noted the increasing pressures that many third sector and other delivery partners are experiencing due to factors such as budget uncertainty and the increase in the employer rate of Employer's National Insurance Contributions, and expressed concerns about the reliance on partners to deliver the one-to-many model, given these pressures.

It was noted that the work being done on a Minimum Digital Living Standard could potentially have positive impacts on households affected by child poverty, and could have positive implications both in and beyond the field of digital inclusion.

3.8.2 Free school meals

What did Commissioners and Panel members want to know about progress with the free school meals programme?

Commissioners and Panel members wanted to know:

- What action is being taken by the Scottish Government to increase uptake amongst those eligible for free school meals, and do any local authorities have higher levels of take-up and satisfaction.
- How the expansion of the programme is building on learning from the existing work on free school meals.
- If the Scottish Government has spoken to children and young people to get their views on Free School Meal provision.
- What action is being taken to ensure that the needs of rural communities and children with specific dietary requirements (e.g. on cultural or health grounds) are being met through the free school meals programme.
- What is the Scottish Government's assessment of the effectiveness and efficiency of the School Meal Debt Fund and if there any plans for funding to cancel school meal debt accrued beyond March 2024.

It is estimated that access to free school meals can save households around £400 per eligible child per year[10], and free school meals are a benefit-in-kind that are included in the child poverty target measures. In *Best Start, Bright Futures*, the Scottish Government said it would expand universal Free School

[10] Helping clear school meal debt - gov.scot

Meal provision to all children in primary school. At the time of publication in March 2022, there was universal free school meal provision in place for children in primaries 1-5. The Scottish Government also said it would continue to deliver alternate meal provision during school holiday periods for children entitled to free school meals on the basis of low-income.

The extension of universal free school meals for children in P6 and P7 was delayed, partly due to funding and partly due to the capital works required to put in place the infrastructure needed to deliver expansion. The decision was subsequently made that the next phase of roll out would be for P6 and P7s in receipt of the Scottish Child Payment from February 2025. This is expected to benefit around 25,000 children living in low-income families. The Scottish Government has said that, should funding become available, it is committed to universal expansion for all primary pupils.

Good progress has been made in relation to delivery of various aspects of the free school meals Programme in 2024/25. In 2024/25 the Scottish Government invested £43 million in capital funding to put in place the necessary infrastructure, and it is expected that 95% of the required works will be delivered within 2025/26. Roll out to pupils in P6 and P7, in receipt of the Scottish Child Payment, began in February 2025 as planned.

In addition to the expansion, in 2024/5 the Scottish Government also:

- provided £21.75 million for free school meal alternatives in school holidays
- provided funding of £2.9 million in 2024/25 to enable local authorities to write-off historic school meal debt
- carried out work to deliver a legal gateway to allow Social Security Scotland to share data with local authorities, to support the identification of children eligible for free school meals
- allocated £3 million funding for 2024/25 to develop a new Test of Change phase of the Free School Meal programme to support those in receipt of Scottish Child Payment in S1 to S3

The work to allow data sharing is particularly welcome. It is currently under consideration by the Scottish Parliament and the Commission would hope that it will lead to an increase in take-up rates for free school meals.

Reflections from Commissioners and Panel members on what they heard from the Scottish Government about free school meals

While the commitment to extend universal free school meals to pupils in P6 and P7 has been delayed and limited to pupils in receipt of the Scottish Child Payment, Commissioners and Panel members were reassured that the Scottish Government was now making positive progress on the roll out to eligible pupils from February 2025. They were encouraged that Scottish Government and local authorities were exploring good practice from across Scotland and internationally to improve provision, and that local authorities were working with children, young people and families to improve provision and increase uptake. However, they wanted to see Scottish Government playing a more active role in increasing take-up amongst children and young people from the priority family types and those based rurally.

Although the Scottish Government promotes a cash first approach for free school meal alternatives in school holidays, it is up to local authorities to decide on their approach and four local authorities have reported using food vouchers. Commissioners and Panel members expressed concerns that the use of food vouchers was not good practice, as it gave families less freedom to choose where to shop, creating difficulties, such as not being able to buy culturally appropriate or diet-specific food required by a child or young person, or facing transport costs to use the vouchers. They thought that Scottish Government should encourage all local authorities to take a cash-first approach to holiday provision where possible.

3.8.3 Fuel poverty, heating and energy efficiency

What did Commissioners and Panel members want to know about progress with commitments on fuel poverty, heating and energy efficiency?

Commissioners and Panel members wanted to know:

- What the Scottish Government is doing to understand the whole system of funding and support relating to fuel poverty, heating and energy efficiency.
- Has the Scottish Government identified any unmet need and gaps in support, and what is it doing to fill them.
- What the Scottish Government is doing to increase awareness and take-up of funding and support.
- What measures are specifically targeted at disabled households. What the Scottish Government knows about how well these measures are meeting the specific needs of disabled people.
- What measures are specifically targeted at rural households. What the Scottish Government knows about how well these measures are meeting the specific needs of households in rural communities.

In *Best Start, Bright Futures*, the Scottish Government set out a range of funding commitments specifically for 2022/23 which covered energy efficiency measures, energy advice, and assistance with fuel costs for people on low-incomes. For 2024/25 the Scottish Government identified that its primary priority in this area was to invest up to £65 million through Warmer Homes Scotland to provide heating and energy efficiency measures to eligible households who meet the qualifying criteria, including households with a qualifying benefit.

In 2024/25 the Scottish Government committed £85 million to Warmer Homes Scotland, an additional £20 million on top of its previously planned investment. Around 7,000 homes are expected to benefit from the installation of energy efficiency measures, with the average annual saving around £400.

Warmer Homes Scotland sits alongside other funding that is also targeted at those in fuel poverty. This includes Area Based Schemes (investment of £64 million in 2024/25), which are Scottish Government funded, but delivered through Local Authorities and the Social Housing Net Zero Heat Fund (investment of £35 million in 2024/25), which provides grant funding to Registered Social Landlords and Local Authorities to help install clean heat and improve energy efficiency in existing social housing.

While this investment may reasonably be expected to benefit some low-income households with children, information is not available that would allow analysis of the extent to which it is benefiting families experiencing poverty, and therefore how it is contributing to tackling child poverty. Commissioners and Experts by Experience Panel members noted that the connection between this activity and child poverty was not always clear. This is likely to be because child poverty is not the primary focus of the work, which has other primary objectives, including addressing climate change.

While the main action being taken by Scottish Government, which it has identified as relating to child poverty, focuses on energy efficiency, Commissioners and Panel members identified particular concerns about the support available to households who are struggling to pay their fuel bills, and the impact that fuel costs could have on their wellbeing and health. The Fuel Insecurity Fund, which was allocated £30 million in 2023/24 to help households struggling with their energy costs who were at risk of severely rationing or self-disconnecting, was closed at the end of 2023/24.

The Scottish Government allocated £14.6 million to Home Energy Scotland in 2023/24 to act as a single point of access for advice on energy efficiency, renewable heating and fuel poverty support in Scotland. Home Energy Scotland has built partnerships with other organisations, including health and social care organisations, local authorities, charities, and food banks, to enable direct referral of households to and from Home Energy Scotland. Where there is no appropriate local service that Home Energy Scotland can refer on to for support, Home Energy Scotland can provide the most vulnerable customers with the Energy carer service which provides enhanced advocacy and support to help them achieve affordable warmth. It is not clear whether this funding has been allocated based on an assessment of need for advice and support. Despite these supports being available, Commissioners and Panel members had concerns, based on lived and reported experience, that people did not know where to get help with energy costs and that information about where to get help was not easily accessible.

Reflections from Commissioners and Panel members on what they heard from the Scottish Government about fuel poverty, heating and energy efficiency

Commissioners and Panel members highlighted that fuel costs are one of the most important issues for people living in poverty, and that lack of heating, the need in some cases to choose between heat and food, and debt caused by fuel costs, can have a direct and detrimental impact on physical and mental health. Despite this they considered that contributing to reducing child poverty was not a clear objective of most of the Scottish Government's action on fuel poverty, heating and energy efficiency.

While recognising there are other objectives for much of the action discussed, and at times tensions between addressing climate change and addressing fuel poverty, Commissioners and Panel members noted that Scottish Government activity seemed to be budget and finance-driven, focused on how much was being invested rather than the outcomes delivered. They thought there was a disjuncture between this strategic level/budget-driven delivery and the individual/household level, and there was not a person-centred approach to addressing fuel poverty and the negative impacts experienced by children and families.

Based on lived and reported experience, Commissioners and Panel members were concerned that people did not know where to get help with energy costs and that information about sources of support was not easily accessible. They thought there was a lack of consistency in the support available, and who could get it, and that more could be done to increase awareness of different programmes. They noted that joined up support, addressing a range of needs, would be needed for people in complex circumstances and with overlapping issues.

3.9 Tax strategy and policy

The Commission published a report in 2023 on 'how better tax policy can reduce poverty and inequality'. This noted that while the Scottish Government's overall approach to tax and spend has been progressive, there was scope to go further and that the Commission believed this will be required for both fiscal sustainability and poverty reduction ambitions, including the child poverty targets.

In its report, the Commission recommended that the Scottish Government and its partners must:

1. Ensure all land and property in Scotland is registered with a current and accurate valuation.
2. Revalue properties subject to the current Council Tax, and immediately start work to design its replacement.
3. Seek to devolve the necessary powers to set rates and bands of Income Tax for savings and dividend income for Scottish taxpayers.
4. Improve public understanding of, and compliance with, devolved taxation.
5. Broaden the tax base in Scotland by doing the work required to bring wealth into scope for future tax policy, and implement transparency measures on the profits of multinational companies.

In December 2024, the Scottish Government published a new tax strategy: Scotland's Tax Strategy: Building on our Tax Principles. Given the Commission's previous recommendations on tax, the Commission noted this publication with interest.

It is positive in itself that the Scottish Government has published a tax strategy setting out some aspects of its overall intended direction of travel. While it

includes some welcome developments, the strategy has relatively limited specific policy commitments and implementation plans, aside from setting out its plans for Income Tax rates and bands for the remainder of this Parliament.

The strategy provides a commitment to evaluate the effect of past changes to Income Tax in Scotland, which is important given the divergence between Scotland and the rest of the UK. The publication of 'areas of research interest' around tax (currently the only area of research interest the Scottish Government has formally indicated at the time of writing) is similarly welcome to help generate the appropriate evidence to inform decision making around tax in Scotland.

However, in many other areas the strategy provides limited information on concrete policy. This is particularly the case when it comes to local tax reform and the development of a replacement to Council Tax, which again appears to be the subject of further consultation and engagement, rather than implementation of reform (such as a move to a proportional local property tax). As the Commission previously noted in our 2023 report, reform must begin with an immediate revaluation of domestic property values. This will have some lead-in time so not committing to this will delay further the already much delayed and much needed reform of local domestic property taxation in Scotland.

4. Cross-cutting themes and issues

Summary

In carrying out its scrutiny discussions with Scottish Government officials, and reviewing information about progress, the Commission and its Experts by Experience Panel identified a number of cross-cutting themes and issues. These were:

- Inadequate funding and/or uncertainty about sustainability of funding of some programmes
- Lack of clarity about the mechanisms by which a policy/action will reduce child poverty
- Delivery challenges and a lack of clarity about respective national and local accountability
- Awareness, accessibility and uptake of programmes/support
- Role of evidence in decision-making about funding or adapting programmes
- Equalities and Intersectional focus
- Regional/geographical variations and disparities

4.1 Funding and use of evidence

Insufficient funding is a major barrier to delivering the action needed to meet the child poverty targets. This is impacting in three ways. The first is where not enough funding has been allocated to deliver on the commitments set out in *Best Start, Bright Futures*. The second is where uncertainty about funding, including delays in confirming funding, and in-year reductions to funding, hampers efforts to plan delivery, particularly for long-term programmes. The third is where the Scottish Government invests in piloting work, to test and demonstrate the value of initiatives, but if these are successful the expectation is that action will be resourced locally.

The Early Learning and Childcare, School Age Childcare and Connecting Scotland programmes are examples of where it is clear that the original commitments in *Best Start, Bright Futures* will not be delivered due to lack of funding. Instead work has had to be developed in these areas based on the funding allocated. While the Scottish Government is aiming to maximise learning from the work underway, to inform future development, it is nevertheless the case that this work is small-scale and localised and is therefore now unlikely to make a significant contribution to meeting the child poverty targets.

In other areas uncertainty about funding, along with budget cuts, has major impacts. For example, over recent years, the Scottish Government has increased, reduced, and made in-year cuts to the budget for employability support, and there have been delays to sending out grant letters. The budget allocated by the Scottish Government for the Affordable Housing Supply

programme has also varied significantly between years. This makes it difficult for delivery partners to plan ahead and maximise the value of these programmes.

The Scottish Government has acknowledged the importance of multi-year funding. In February 2025 it announced a Fairer Funding pilot, providing 45 two-year funding grants to third sector organisations. This amounts to £61.7 milllion in 2025/26 and £63.2 million in 2026/27. The Commission recommends that the longer term sustainability of this approach is considered and hopes that the pilot will be evaluated to see how this works in practice for funded organisations.

Since the publication of the first Tackling Child Poverty Delivery Plan in 2018, there has been a growing focus in Scottish Government on monitoring and evaluating the actions that are being taken. Many of the programmes and actions are now being evaluated. This is very welcome, but it is not always clear to the Commission how evidence and evaluation are being used on an ongoing basis for learning and decision-making, including about whether and how a programme or area continues to be funded. From some discussions, it appeared to the Commission that the production of an evaluation report was seen as the end point, and it was not clear who took responsibility for reflecting on findings and implementing changes.

In particular, the Commission was unclear about whether evaluation findings influenced funding decisions. For some programmes there is an expectation that, where they have demonstrated value, they will be funded locally. The Welfare Advice and Health Partnerships were identified as an example of where positive outcomes were evident, but Scottish Government funding was being reduced, with the hope that this would transition to funding from local partners. The Commission was not reassured that this transition would take place without negative consequences for the continuity of delivery, which could have an unacceptable impact on child poverty given the importance of income maximisation and ensuring households access the benefits to which they are entitled. Given the pressures on local budgets, there is a strong risk that assuming local partners will provide funding after pilots have been completed could lead to the loss of successful programmes due to other local pressures and priorities.

4.2 Lack of clarity about the mechanisms by which a policy/action will reduce child poverty

For some actions there is a direct link, or a clear theory of change, as to how they are intended to reduce child poverty. The Scottish Child Payment, for example, increases income through social security, with a direct impact on the targets. Similarly, investment in employability services is intended to increase the numbers of parents in work, or better paid work, increasing income from employment. For other actions, however, the link or theory of change is less well-developed, and at times the focus seems to be more on what Scottish Government is putting in (funding and resources) than on evidence and impact.

In some cases, this lack of clarity is because the primary purpose for which the action is being taken is not child poverty. The Affordable Housing Supply or the Warmer Homes Scotland programmes, for example, are programmes

where the Scottish Government is investing significant amounts of money, and it is plausible to think that there could be a positive impact on child poverty. However, these programmes do not have addressing child poverty as part of their design, and do not collect the data that would be necessary to understand if they are reaching families experiencing poverty. For these kinds of actions and policies the Scottish Government could potentially achieve a bigger impact by reviewing the design and data gathered to maximise their contribution to reducing child poverty. If this is not considered possible or desirable, then this should be explicitly stated and there should be greater transparency that this is not a primary aim of this work.

In other cases actions and policies have been developed specifically to address child poverty, but there needs to be more clarity about how they have been designed to contribute to meeting the child poverty targets. The Fairer Futures Partnerships are an example of this. There appears to be a broad theory of change that providing person-centred support, and developing new ways of working across services, will impact on child poverty in the longer term. Although the Partnerships can point to some shorter term impacts, such as support with income maximisation, the mechanisms by which the impact on child poverty will be delivered in the longer term are not clear, and there is not yet a theory of change for the overall programme. This is not to say that people being supported by the Partnerships are not benefiting from this, but if the actions are intended to impact on the child poverty targets through increasing income and reducing costs, the theory of change should be more explicit about how this will be achieved, particularly as new Partnerships are developed.

4.3 Implementation gap, regional variation, and national and local accountability

In several areas there are disparities between national plans and aspirations and how things work in practice. Commissioners and Panel members were able to point to lived and reported experiences of things like childcare and employability support that did not necessarily meet the Scottish Government's policy aspirations.

This also links to accountability, where a policy aim is set nationally, but is reliant on local delivery. With a number of the actions that the Commission looked at, such as employability support or the Affordable Housing Supply Programme, the Scottish Government provides funding, but local partners are responsible for identifying needs and the delivery approach. Local authorities and other local partners are generally best placed to identify local needs and what works in their area. However, this can also lead to gaps in understanding as to whether those policies and actions are meeting the needs of families experiencing poverty. It can also be difficult for partner organisations which work across a number of local authority areas that take different approaches, where there may be requirements to follow different processes for different local areas, incurring additional costs and increasing uncertainty.

The Scottish Government uses a range of levers, such as guidance, grant conditions, and collection of monitoring information to try to ensure policies are delivered as intended, but there can be a tension between local and national accountability for delivering on policy aims. This can be even

more difficult where local delivery partners are themselves operating in a challenging context. Achieving Scotland's child poverty targets requires national and local government to work together and be accountable for their respective contributions. However, the Scottish Government is accountable for ensuring this 'shared responsibility' model does not result in neither local nor national government taking responsibility to deliver key actions.

Commissioners and Panel Members also noted from their scrutiny discussion that there were some geographic variations in the action taking place and the services and support available to people experiencing poverty. In several cases the support available depends on where in Scotland you live. Sometimes this is important and necessary, for example where work is happening in communities with higher concentrations of poverty, or where specific work is targeted at rural communities, but in other cases it seems to be driven by funding availability and willingness of local partners to engage.

For example, the expansion of the Fairer Futures Partnerships has been driven by areas volunteering to participate, and the grants from the Advice in Accessible Settings Fund depend on there being existing organisations with the capacity to apply for funding and appropriate local organisations and services for them to partner with. These geographical variations can lead to disparities in access to support and services. They may leave particular gaps for families who are experiencing poverty but do not live in areas with higher concentrations of poverty.

4.4 Awareness, accessibility and uptake of programmes/ support

Households eligible to access support (whether that be through direct benefits or services that provide advice or signposting) are not always aware of what support is available to them. This has been widely observed by the Commission and others, including members of the Commission's Experts by Experience Panel through the course of the scrutiny work conducted for this report. Following the discussions about advice services and fuel poverty in particular, Commissioners and Panel members were concerned that information about the support available was not necessarily reaching those who most needed it. There were concerns that access to advice and support could be patchy, meaning there was not consistency and fairness for everyone needing advice and support.

The Commission is aware that on advice services in particular, the Scottish Government is trying to improve access through providing advice through different routes and establishing the Advice in Accessible Settings Fund. The feedback from Panel members emphasises the need to continue to identify ways to reach as many people as possible and particularly those who face additional barriers to accessing advice and support.

4.5 Equalities and intersectional focus

The Commission's scrutiny report last year looked in detail at how the Scottish Government was using the priority family types and an intersectional focus to reach those at highest risk of poverty. The Commission provided a number of reflections on how this work could be further developed to better reach those families. These set out the need for:

1. Clarity about how to the use the priority family types in policy making
2. A greater focus on using evidence and engagement with families from the priority types in developing policies and actions
3. Using monitoring and evaluation data to refine or re-shape actions and delivery
4. Involving families from the priority family types in development, delivery and evaluation of actions
5. Building increased competence and capacity in relation to intersectionality

In the scrutiny process for this year's report, the Commission did not specifically follow up on what progress had been made in these areas. Based on the scrutiny discussions that took place, however, the picture still seemed to be very variable as to the extent to which policies and actions were explicitly addressing the needs of the priority family types, and there was very limited evidence of an intersectional approach. Since it undertook its scrutiny meetings, the Scottish Government has shared with the Commission new internal guidance on using the concept of the priority families in policy making. The Commission welcomes this guidance that responds to one of the reflections in last year's report and hopes that it will be used by policy areas across the Scottish Government. The Commission urges the Scottish Government to return to the other reflections in last year's report, determine what further progress can be made, and report now on what steps it will take to address these issues.

5. Does it appear to the Commission that such progress is sufficient to meet the child poverty targets?

Summary

On current trends, the Scottish Government is not at all likely to meet the child poverty targets. The interim child poverty targets for 2023/24 have been missed and the reductions in child poverty needed to meet the final 2030 targets are now very large. Data for 2024/25 will not be available till next year, however – given the absence of major interventions to increase incomes or reduce costs during 24/25 – it seems unlikely that it will show a markedly more positive picture than the 23/24 data. Modelling projections of child poverty into the years approaching the final target, based on current policy, suggest the 2030 targets will be missed, and missed by a substantial margin. The Scottish Government must take decisive action now if it is to have any chance of delivering on the 2030 child poverty targets.

As set out earlier in this report, child poverty rates, against all the targets apart from persistent poverty, have fallen between 2022/23 and 2023/24, with relative poverty falling by four percentage points and absolute poverty by six percentage points. Much of this fall is likely to be due to the full roll out of the Scottish Child Payment, and demonstrates that Scottish Government action can and does make a difference to child poverty rates.

Nevertheless, despite the fall, the Scottish Government has missed all the interim child poverty targets. Data for 2024/25 will not be available till next year, however the Commission's scrutiny of actions progressed during 2024/25 did not lead it to consider that these actions were likely to have major impact on child poverty rates. Given the absence of major interventions to increase incomes or reduce costs during 2024/25, it seems unlikely that the 2024/25 data will show a significantly lower level of poverty than the 2023/24 data.

This means that very large reductions in child poverty will be needed in order to meet the 2030 targets. If child poverty rates in 2024/25 were unchanged from their 2023/24 levels, this would then require a 12 percentage point reduction over six years to meet the relative and absolute poverty targets, with a smaller four percentage point reduction required to meet the combined low-income and material deprivation target. This needs to be seen in the context of the Scottish Child Payment, where modelled estimates suggest that, in its present form, it delivers around a four percentage point reduction in relative child poverty, compared to what would be the case in its absence.

In its spending decisions for the past year, the Scottish Government made the choice to reduce budgets in areas such as the Affordable Housing Supply Programme and not to allocate sufficient funding to deliver commitments on Early Learning and Child Care and School Age Childcare. The economic and

fiscal context over the past year has undoubtedly been extremely challenging, but, as the Commission pointed out in last year's report, there were choices to be made about revenue raising and funding allocations, and some of these choices, such as the Council Tax freeze, or the decision to partially reinstate Pension Age Winter Heating Payment on a universal basis, did not prioritise reducing child poverty.

In 2022, *Best Start, Bright Futures*, set out some significant actions, including expansion of early learning and childcare and school age childcare, investment in employability, and expansion of free school meals and Connecting Scotland. The last three years have seen the Scottish Government fail to allocate the funding that would be needed to deliver on these commitments, and reduce its ambitions to align with funding.

The Scottish Government did make a major new commitment as part of the 2025/26 Budget, announcing that from 2026, or earlier if feasible, it would mitigate the impact of the two-child limit. The Commission welcomes this commitment, and Scottish Government modelling has estimated that this could reduce child poverty rates by two percentage points from 2026/27. It remains unclear, however, how the remaining large gap between current child poverty rates and the targets will be bridged.

A number of pieces of modelling work have been undertaken recently that look at what the current and committed package of actions (including mitigation of the two-child limit) are likely to mean for future child poverty rates. This includes modelling work conducted by WPI Economics on behalf of the Commission, and separate modelling work by the Scottish Government, Fraser of Allander Institute, and IPPR Scotland. All such modelling exercises rely on various assumptions and come with inherent uncertainty, however they help to identify what future rates of child poverty we are likely to see if we continue as we are.

Collectively, recent modelling suggests that:

- Scottish Government policy has made a difference in reducing child poverty – keeping levels substantially lower than would otherwise be the case, albeit not at a level to meet the targets – and can continue to do so
- Forward projections of where child poverty may be at the 2030 final target period suggest that, under current policy, a large gap will remain to the targets (for example, relative child poverty rates remaining in the region of 20% in 2030 when the target is 10%)

The modelling affirms the Commission's view that the Scottish Government is not currently on track to meet the 2030 targets. In addition, proposed welfare changes by the UK Government to disability benefits have been projected to increase child poverty across the UK. At the time of writing, uncertainty in the global economy is also likely to have impacts on incomes and household costs and the extent of these are unknown.

The Scottish Government must take decisive action now if it is to have any chance of delivering on the 2030 child poverty targets.

6. What further progress does the Commission consider is required to meet the child poverty targets?

Summary

The First Minister has said that the eradication of child poverty is the single most important policy objective for the Scottish Government, and the Scottish Parliament voted unanimously to set the child poverty targets. There is clearly no lack of belief that child poverty is deeply damaging for children and society in Scotland and that it needs to be eradicated.

There remains a 12 percentage point gap between the 2030 relative child poverty target and the current relative child poverty rate. In order to meet the 2030 targets, the Scottish Government will need to put in place the equivalent of another three policies or actions which each have as great an impact on child poverty as the Scottish Child Payment, or many policies that have a smaller but still significant impact on child poverty. Evidently more of the same is not going to get close to the child poverty targets.

The Scottish Child Payment demonstrates that decisive policy action by the Scottish Government can have a real and measurable impact in reducing child poverty. The Scottish Government's commitment to mitigate the impact of the two-child limit is welcome, and could potentially reduce child poverty rates by two percentage points from 2026/27, but it is not in itself enough. The Scottish Government must raise its ambitions and make revenue raising and funding decisions that bridge the gap between where we are now and where need to be in 2030/31.

What further progress does the Commission consider is required to meet the child poverty targets?

The First Minister has said that the eradication of child poverty is the single most important policy objective for the Scottish Government, and the Scottish Parliament voted unanimously to set the child poverty targets. There is clearly no lack of belief that child poverty is deeply damaging for children and society in Scotland and that it needs to be eradicated.

The Commission has been clear in its previous scrutiny reports that the Scottish Government needed to take substantial action and allocate significant additional funding to meet the child poverty targets. This has not happened and the interim child poverty targets have been missed. There remains a 12 percentage point gap between the 2030 relative child poverty target and the current relative child poverty rate. To put this in context, the Scottish Child Payment, the most significant policy to tackle child poverty that the Scottish Government has yet put in place, is likely to have delivered

most of the four percentage point reduction in child poverty seen in the latest statistics. This means that in order to meet the 2030 targets, the Scottish Government will need the equivalent of another three such policies or actions which each have as great an impact on child poverty as the Scottish Child Payment, or many policies that have a smaller but still significant impact on child poverty. Evidently more of the same is not going to get close to the targets.

While the gap is large between where Scotland is now and where it needs to be by 2030/31, the Scottish Child Payment demonstrates that decisive policy action by the Scottish Government can have a real and measurable impact in reducing child poverty. The Scottish Government must now raise its ambitions and make choices that will bridge this gap.

Proposed action to mitigate the impact of the two-child limit is very welcome and could potentially reduce child poverty rates by two percentage points from 2026/27. But the Commission's scrutiny work, along with modelling that has been undertaken by the Commission and others, confirms that the other actions the Scottish Government is currently taking are not going to have the substantial impact on child poverty that is needed. The Scottish Government cannot afford to wait until publication of the next Delivery Plan in March 2026, it must take action now.

In this section the Commission sets out nine recommendations for actions that the Scottish Government should now take.

While the Scottish Government is responsible for meeting its child poverty targets, actions by the UK Government can support this or make it harder. The UK Government's planned changes to the Universal Credit health element will make disabled people in Scotland worse off, and while changes to PIP entitlement rules will not directly impact on disabled people in Scotland, as they receive Adult Disability Payment, the Fraser of Allander Institute has estimated that this will reduce the block grant adjustment for social security devolution by £455 million by 2029-30. The UK Government has estimated that the changes will lead to an additional 50,000 children in the UK being in relative poverty in 2029/30.

The UK Government's forthcoming child poverty strategy is an opportunity for the UK Government to demonstrate that it is serious about tackling child poverty and to take action to lift children across the UK out of poverty. In particular the UK Government should remove the Universal Credit two-child limit and benefit cap. This would directly reduce child poverty across the UK and in Scotland and allow the Scottish Government to invest the money it has earmarked for mitigating the impact of these UK Government policies in other actions to tackle child poverty.

Clarity about how actions contribute to reducing child poverty

The First Minister has made eradication of child poverty the government's number one priority, but at times there is an apparent disconnect between this priority and the actions being taken by the Scottish Government. Apart from the Scottish Child Payment, much of the action to directly tackle child poverty is focused on smaller projects and pilots. Larger investment

programmes, such as the Affordable Housing Supply Programme or Warmer Homes Programme, may be described as contributing to reducing child poverty, but often have different core objectives. There can be a lack of clarity about the extent to which these large scale programmes contribute to child poverty reduction and whether their contribution is maximised. This can lead to over-emphasising actions which may only have the potential for a modest impact at the current scale (such as the Fairer Future Partnerships), and focusing on the contribution of funding to activities primarily intended to deliver other outcomes.

The Scottish Government's publication of Cumulative Impact Assessments, estimating the impact of policies on child poverty, is welcome but is only able to include a small number of the most readily quantifiable policies. In *Best Start, Bright Futures* the Scottish Government made an initial attempt to set out the expected impact of a much wider range of different policies on child poverty, but for the most part the impacts identified were general or uncertain. Further clarity is needed about how actions contribute to reducing child poverty.

Recommendation 1: A whole government approach to close the gap to 2030

The Scottish Government should take a whole government approach to meeting the 2030 targets, maximising the impact of all its policies on eradicating child poverty. As a first step it should carry out an appraisal of all the policies and actions it currently identifies as contributing to reducing child poverty. This appraisal should use an intersectional equalities lens. For each policy/action, this should identify:

- which groups principally benefit from the policy
- the mechanism by which it contributes or is intended to contribute to reducing child poverty
- whether its impact on child poverty is measurable and, if so, the extent of that contribution
- whether more could be done to maximise and measure this

This analysis should be used to identify a core set of policies/actions that directly tackle child poverty, and identify what more is required - in terms either of additional policies and actions, or more funding for existing actions - to meet the child poverty targets, including any targeted action that is needed to address specific barriers faced by different household types.

Funding choices

There are no viable paths to eradicate child poverty without significant further investment. While there are costs to acting to eradicate child poverty, allowing children to remain in poverty also has considerable social and economic costs. Analysis by IPPR Scotland estimated that there was a £2.3 billion cost of poverty in health boards' 2023/24 budgets, for example, and that the lost income due to historic child poverty in Scotland is between £1.6 to £2.4 billion per year. Tackling child poverty is an investment in the children of Scotland which pays multiple dividends.

The Scottish Government has choices to make about how it raises revenue and spends its budget to deliver its primary priority of eradicating child poverty. While the current economic context is challenging, the Scottish Government has revenue raising powers that it could choose to use. It also has a budget of just over £58 billion for 2025/26 and has significant choices about what to prioritise within that budget. The Scottish Government has made some progress on raising revenue through progressive reforms to Income Tax in Scotland. However, its recent tax strategy has little in the way of concrete reforms that will allow the level of revenue to be raised to support delivery of its objectives at the scale needed.

Recommendation 2: Tax

The Scottish Government should consider again how to take forward the recommendations of the Commission's previous report *How better tax policy can reduce poverty and inequality*, and develop proposals for fair and effective ways to raise the revenue required to fund policies to eradicate child poverty.

Recommendation 3: Budget decisions

In making revenue raising and budget decisions, the Scottish Government should look more closely at the cost effectiveness of policies and actions in delivering intended outcomes, and conduct a distributional analysis of who benefits from budget spend. This should include setting out the evidence for its choices about universal versus targeted provision, including the opportunity cost of different spending choices.

Accountability

The Commission has noted in this report that at times there can be a tension between local and national accountability for delivering policy aims. While local authorities and other local partners are often best placed to identify and meet local needs, there can be funding and other challenges that impact on delivery. It is not always clear which body is ultimately accountable for ensuring key actions are delivered as intended, or that implementation balances fidelity to national policy with the local flexibility that is required to reflect varying local circumstances. There can be gaps in understanding at a national level whether policy aims set by Scottish Government are delivering to meet the needs of families experiencing poverty. As eradicating child poverty is the Scottish Government's priority, it cannot simply pass on accountability for delivery of its policy aims to local partners. The Scottish Government must communicate its intentions more effectively and take responsibility that these aims are met, including in funding allocations and mechanisms.

Recommendation 4: Addressing national and local accountability

In preparation for the third Tackling Child Poverty Delivery Plan, the Scottish Government should develop a shared understanding with COSLA and other stakeholders on the policy priorities, funding mechanisms and agreed outcomes that will be required to meet the 2030 targets.

Investment in social security

Current progress, and the modelling that has been carried out, makes it clear that social security will have to play a key role in meeting the 2030 child poverty targets. The Social Security (Scotland) Act 2018 describes social security as an investment in the people of Scotland. This is never more the case than when it is an investment in the children of Scotland. In the same way that countries invest to unlock the benefits of natural resources, this investment can release children's untapped potential. Maximising the take-up of social security entitlements is essential to achieving the child poverty targets.

The UK Government does not currently publish estimated take-up rates for Universal Credit. It says that a measure to assess Universal Credit and income related benefit take-up for the working age population is under development. Information about take-up would support the Scottish Government in developing evidence-based strategies to maximise take-up of both Universal Credit and the Scottish Child Payment.

Recommendation 5: Income maximisation and advice services

The Scottish Government should provide further funding for advice services to maximise take-up of both devolved and reserved social security entitlements. It should commit to long-term funding for evidence-based interventions to achieve this, such as the Welfare Advice in Health Partnerships programme. It should investigate the barriers to accessing advice and support, particularly for priority families, and invest further in evidence-based strategies to maximise take-up.

The Scottish Government should urge the UK Government to provide benefit take-up data for Universal Credit in order to strengthen the evidence base.

Recommendation 6: Further investment in social security

As increased social security investment is now required to meet the targets, the Scottish Government should consider options for making further cash transfers to families and implement the most effective measures. Modelling carried out for the Commission by WPI Economics, and modelling by other organisations, including the Fraser of Allander Institute and IPPR Scotland, explores a range of options for doing this.

Exploring housing costs

One of the reasons that Scotland has traditionally had a lower rate of after housing cost poverty than other parts of the UK is due to the generally higher levels and lower costs of social housing. The Commission has noted that the Affordable Housing Supply Programme has the potential to contribute to reducing child poverty through reducing housing costs, but the lack of data relevant to child poverty makes it impossible to understand its contribution and how to maximise it.

Recent modelling carried out for the Commission by WPI Economics has identified the potential impact of reducing housing costs for families in the private rented sector. The modelling estimated that if households with children in the private rented sector paid the same rent on average as those in the social rented sector, there could be a 2.5 percentage point fall in relative child poverty by 2030/31 and a 3.1 percentage point fall in absolute poverty. While the modelling did not attempt to identify a policy that could deliver this, it provides compelling evidence that there is scope for housing policy to have a greater impact on child poverty than at present.

Recommendation 7: Housing costs

The Scottish Government should explore further the role that housing costs in the private rented sector play in child poverty. It should consider how to maximise the impact of existing policy on reducing child poverty, and consider what other action could be taken on housing costs, including ensuring that households with a disabled person do not face higher costs to access appropriate accessible housing.

Reducing deep poverty

The relative child poverty target measures child poverty at the 60% of equivalised median household income level, and requires moving household income above this threshold. However, it is worth noting that even where households are not raised above this poverty line, increasing the income of these families, and reducing their housing costs, can still make an important difference to the wellbeing of children.

At the same time there is a group of children who are experiencing the deepest poverty, with a household income of below 40% of the median equivalised household income. The Commission's modelling estimates that taking account of the Scottish Government's existing and planned actions, there will be little reduction in the proportion of children in this deepest level poverty, with around 7% of children still experiencing the deepest poverty by 2030/31.

Recommendation 8: Deep poverty

The Scottish Government should look to understand more about households in the deepest poverty and consider what specific actions could be taken to reduce poverty for these children.

Improving child poverty data

The four child poverty target measures are set in law and the Scottish Government prepares and publishes the data that monitors progress against them. Various improvements to the analysis and presentation of these data have been made since the targets were set. These improvements have been welcomed by the Commission. However, the continuing high degree of uncertainty in the target measures makes judgement of progress from year-to-year, or whether targets have been met or missed, extremely difficult.

While some of this reflects wider challenges in gathering data from surveys post-pandemic, it is highly unsatisfactory to be so uncertain about progress on the Scottish Government's first priority, and it limits the ability of the Commission and others to make useful conclusions on child poverty.

Some households, such as those with a disabled adult or child, face higher costs than the Scottish average. There has been research done in Scotland in order to better understand the nature and level of these differences, and the Commission would like to see the Scottish Government support these efforts in its data improvement work.

Recommendation 9: Child poverty data

The Scottish Government should work with the Department of Work and Pensions to appraise options to reduce both sampling uncertainty and systematic error in the four target measures, and implement viable improvements as soon as possible. These improvements must be in place by the time data is being gathered for the final 2030 targets, so it is clear to all whether the targets have been met or not.

The Scottish Government should research and, where possible, quantify the additional costs that particular family types face and incorporate these into its poverty statistics and analysis. This should start by building on existing research in Scotland on the extra costs faced by households with a disabled family member.

POVERTY AND INEQUALITY COMMISSION

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