EXPLANATORY MEMORANDUM TO

THE CHILD POVERTY ACT 2010 (PERSISTENT POVERTY TARGET) REGULATIONS 2014

2014 No. 3232

1. This explanatory memorandum has been prepared by the Department for Work and Pensions and is laid before Parliament by Command of Her Majesty.

This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Purpose of the instrument

2.1 These regulations set the target percentage for the persistent child poverty target set out in the Child Poverty Act 2010 (the Act) http://www.legislation.gov.uk/ukpga/2010/9/contents at less than 7 per cent. The target percentage must be met by the end of the financial year beginning on 1 April 2020.

2.2 Persistent child poverty is where a child has lived in a qualifying household in relative poverty for at least 3 years out of a 4 year period. A household is in relative poverty if their total income is below 60 per cent of the median equivalised (adjusting for household size and composition) household income for the UK in a given year (before housing costs).

3. Matters of special interest to the Joint Committee on Statutory Instruments.

Timing
The Act places a duty on Government to set the target percentage for the persistent poverty target through affirmative regulations by 31 December 2014.

4. Legislative Context

This is the first time the Government has exercised the power under section 6(3) of The Child Poverty Act 2010 to make regulations which set the persistent poverty target. The Act requires Government to bring these regulations into force by 31 December 2014.

5. Territorial Extent and Application

This instrument applies to all of the United Kingdom.

6. European Convention on Human Rights

The Minister of State, Esther McVey, Department for Work and Pensions has made the following statement regarding Human Rights:

"In my view the provisions of The Child Poverty Act 2010 (Persistent Poverty Target) Regulations 2014 are compatible with the Convention rights."

7. Policy background

- **What is being done and why**

7.1 The Child Poverty Act 2010 places a statutory duty on Government to meet four UK-wide binding child poverty targets by the end of the financial year beginning 1 April 2020. The purpose of the Act is to define success in ending child poverty and create a framework for monitoring progress. A target for persistent child poverty was not set when the Act was passed in 2010 as no up-to-date data was available and the ability to measure persistent poverty was uncertain due to a change in survey arrangements. The requirement to set this target was included in the Act to incentivise Government action to help children who were stuck in poverty for long periods.

7.2 The Government is under a statutory duty to set a percentage persistent child poverty target by affirmative regulations before the end of 2014. We firmly believe that we need a revised set of child poverty measures which underline our commitment to reducing child poverty, but better reflect the evidence about its underlying causes. We are not yet in a position to put these forward. In the meantime we remain committed to meeting our existing obligations under the Act.

7.3 The Government is committed to the goal of ending child poverty in the UK by 2020. The Government recognises that persistent poverty can be particularly harmful to children's life chances. In representations to the consultation the Social Mobility and Child Poverty Commission, and others, put particular emphasis on the damaging effects of persistent poverty and urged the government to continue to put this at the centre of policy ambition. The Government will do so. The Government's Child Poverty Strategy 2014-17, published in June, sets out action on this front, such as tackling entrenched worklessness. The Government will continue to focus action on breaking the cycle of persistent poverty, exploring what further steps can be taken to reduce persistent poverty as far and as fast as possible. We will keep the degree of ambition of the target itself under close review.

7.4 The Government consulted for seven weeks on the level at which to set the target percentage (further detail below). The target percentage proposed in the Government's consultation document was less than 7 per cent and was based on analysis looking at the relationship between relative child poverty and persistent child poverty historically. The conclusion of this analysis was that levels of persistent poverty are typically 50 to 70 per cent of those of

relative poverty in a given year. Should relative poverty be around 10 per cent (the target set by the Act) it is likely therefore, based on past trends, that persistent poverty would be somewhere between 5 and 7 per cent.

7.5 However, this historical relationship could change once levels of relative child poverty are around 10 per cent as the persistent child poverty group could make up a higher proportion of the relative child poverty group, if not the entirety of it. If this relationship were to change in this way once levels of relative child poverty were around 10 per cent, then the proportion of children in persistent poverty could technically also be much closer to these levels.

7.6 This analysis suggests any target set should have a minimum lower bound of 5 per cent and maximum upper bound of 10 per cent, making a target of less than 7 per cent consistent with the other targets in the Act and providing the most coherent overall suite of targets.

- **Consolidation**

7.8 This instrument does not amend another instrument, therefore no consolidation is required.

8. Consultation Outcome

8.1 Over the course of the consultation (https://www.gov.uk/government/consultations/setting-the-2020-persistent-child-poverty-target) the Government received 39 written responses commenting on the proposed target level. It also held a roundtable event with a number of interested stakeholders. The full Government response can be found here: https://www.gov.uk/government/consultations/setting-the-2020-persistent-child-poverty-target

8.2 The majority of respondents did not agree with the proposed target of less than 7 per cent, and instead favoured setting the target at a lower level. Most argued that less than 7 per cent was insufficiently ambitious and the majority who wanted a lower level thought it should be set at less than 5 per cent.

8.3 The Social Mobility and Child Poverty Commission (the Commission) proposed an alternative target to be set as a proportion of relative poverty in the target year rather than as a fixed level, as defined in the Act.

8.4 The Government has carefully considered the representations made during the consultation. It was the view of the majority of respondents that the persistent child poverty target should be set at a lower level than that proposed in the consultation. However, the Government is ultimately not persuaded by the arguments put forward to justify a target lower than less than 7 per cent. When the existing Act targets were set to end child poverty by 2020, they represented a high degree of ambition. The Government remains convinced that a persistent child poverty target of less than 7 per cent is consistent with

this high level of ambition and with meeting the other three targets set out in the Act.

8.5 Furthermore, the Government does not believe that the approach offered by the Commission would offer a better means to drive Government action on persistent poverty or the coherence of targets which it considers important. It would mean that the target could be achieved even if numbers in persistent child poverty remained the same while short-term child poverty increased. This could create a possible disincentive to take action on child poverty in all its forms.

8.6 The Government recognises that persistent poverty can be particularly damaging to children's life chances and it will continue to focus action on breaking the cycle of persistent poverty, exploring what further steps can be taken to reduce it as far and as fast as possible. The Government's view remains that a target of less than 7 per cent is most consistent with the relative poverty target, giving the most coherent overall package of targets, and driving continued efforts to address persistent child poverty. The Government will therefore now lay affirmative regulations in Parliament for debate and approval by both Houses on this basis. The Government will keep the degree of ambition of the target itself under close review.

9. Guidance

9.1 The Government does not intend to publish any guidance about the target. However, the Child Poverty Unit will ensure that policy makers across Government are made aware that the new persistent poverty target has been set and that it supplements the three other existing Act targets which are intended to drive Government action to end child poverty.

10. Impact

10.1 There is no impact on business or civil society.

10.2 An impact Assessment has not been prepared for this instrument.

11. Regulating small business

The regulation does not apply to small business.

12. Monitoring and review

12.1 These regulations set a target percentage for persistent child poverty and complete the suite of UK child poverty targets which Government must meet by the end of the financial year 2020/2021. The target is intended to drive Government action to reduce the number of children experiencing periods of persistent poverty. The Government's Child Poverty Strategy 2014-2017 describes action already underway to address the damaging effects and break the cycle of sustained poverty. We will continue to focus

Government action on tackling persistent poverty, exploring what further steps we can take to reduce it as far and as fast as possible. We will also keep the degree of ambition of the target itself under close review.

12.2 Persistent poverty figures have been historically published in the Department for Work and Pensions (DWP) Low Income Dynamics (LIDs) National Statistics publication https://www.gov.uk/government/statistics/low-income-dynamics-1991-to-1998 and were previously calculated using data collected from the British Household Panel Survey (BHPS) https://www.iser.essex.ac.uk/bhps. The BHPS ended in 2008, and the remaining survey respondents have been subsumed into the larger Understanding Society survey https://www.understandingsociety.ac.uk/. DWP intends to resume publication of the LIDs report using the Understanding Society survey, and will pre-announce when this publication will be released in line with National Statistics guidelines.

12.3 The Act requires Government to publish UK strategies which describe the progress required to meet the Act targets. The current strategy covers the period until 2017. The Act also requires Government to report on whether all four targets have been met at the end of 2020/21.

11. Contact

Richard Cienciala/James Arthur at the Child Poverty Unit, Tel: 020 7340 7413/ 020 7783 8295 or email: Richard.cienciala@childpovertyunit.gsi.gov.uk or james.arthur@childpovertyunit.gsi.gov.uk can answer any queries regarding the instrument.