

CHILD POVERTY ACT 2010

EXPLANATORY NOTES

COMMENTARY ON SECTIONS AND SCHEDULES

Part 1 – National Targets, Strategies and Reports (Sections 1 to 18)

Section 1: The 2010 target

8. *Section 1* places a duty on the Secretary of State to lay before Parliament a report on whether the 2010 target has been met. The report must be laid as soon as reasonably practicable after the end of the 2010 target year (that is, the financial year beginning with 1 April 2010) and no later than 30 June 2012 (*subsection (1)*). If the 2010 target has not been met the report must explain why this is the case (*subsection (5)*).
9. The 2010 target corresponds to that set out in Public Service Agreement 9, to halve child poverty in the UK in relation to a 1998/99 baseline so that 1.7 million children or fewer live in qualifying households falling within the relevant income group for the purposes of section 3 (*subsection (2)*).

Section 2: Duty of Secretary of State to ensure that targets are met

10. *Section 2* places a duty on the Secretary of State to ensure that the targets in sections 3 to 6, relating to relative low income, combined low income and material deprivation, absolute low income and persistent poverty, are met in relation to the target year. The targets apply to the whole of the United Kingdom.
11. *Subsection (2)* defines the target year as the financial year beginning on 1 April 2020.
12. The child poverty targets are defined in the Act in such a way that success can be measured by Government analysis of statistical surveys. Currently, data for the relative low income, combined low income and material deprivation, and absolute poverty targets is taken from the Households Below Average Income dataset that is derived from the Department for Work and Pensions' Family Resources Survey. The Family Resources Survey collects income data from a representative sample of UK households each year. Data relating to the persistent poverty target will be derived from a new survey *Understanding Society* to be undertaken by the University of Essex on behalf of the Economic and Social Research Council. This survey will work on a similar basis to the current survey used to measure persistent poverty, the British Household Panel Survey, which follows the same households over a number of years.
13. *Sections 3 to 6* refer to “qualifying households” and “equivalised income”. “Qualifying household” is likely to be defined in regulations in line with households which are covered by the survey, according to the rules the surveys use to sample households. “Equivalised income” refers to the adjustment of household incomes according to the number of adults, and number and age of children, in each household. This is to take account of the fact that a family of several people requires more income than a single person, in order for both households to enjoy a comparable standard of living. The paragraphs below relating to section 7 explain that the definitions of these and other technical terms underpinning the child poverty targets will be set out in regulations.

Section 3: The relative low income target

14. *Section 3* sets the relative low income target. This target relates to children who live in households that have low incomes compared to the rest of society. This measure of poverty was agreed as part of the 2003 Department of Work and Pensions consultation, *Measuring Child Poverty*. The target is that less than 10% of children living in qualifying households live in households that have an equivalised net income below 60% of median equivalised net household income.

Section 4: The combined low income and material deprivation target

15. *Section 4* sets the combined low income and material deprivation target. The target is that less than 5% of children who live in qualifying households live in households that have an equivalised net income below 70% of median equivalised household income before housing costs *and* experience material deprivation. This target focuses on those children who live in households that experience both a low income and a low standard of living, meaning that they are experiencing the effects of living in poverty.
16. Children are materially deprived if they live in households that cannot afford a range of basic activities, such as such as school trips for the children, or celebrations on special occasions, or if they cannot afford basic material goods, such as fuel to keep their home warm. A child experiencing material deprivation may therefore lack many of the experiences and opportunities that other children take for granted, and can be exposed to severe hardship and social exclusion.
17. *Subsection (3)* imposes on the Secretary of State a duty to make regulations setting out the circumstances in which a child would be regarded as experiencing material deprivation in a particular year. These circumstances might include the household in which the child lives being unable to afford particular goods or services.
18. The regulation-making power will enable the Government to establish what is meant by “material deprivation” and to update this definition over time to ensure that the combined low income and material deprivation target continues to reflect contemporary living standards. Experts consulted by the Child Poverty Unit have advised that such adjustments may be needed. This power is subject to the affirmative resolution procedure.

Section 5: The absolute low income target

19. *Section 5* sets the absolute low income target. The target is that less than 5% of children who live in qualifying households live in households that have an equivalised net income for the financial year below 60% of median income in the financial year beginning with 1 April 2010, up-rated annually in line with inflation. Many respondents to the consultation *Ending Child Poverty: Making it Happen* indicated that it was important for the Act to include an absolute low income target.
20. *Subsection (3)* provides a regulation-making power to set the calculation for up-rating the base amount annually, taking into account changes in prices. The regulations are likely to refer to the Retail Price Index. This regulation-making power is subject to the negative resolution procedure.

Section 6: The persistent poverty target

21. *Section 6* sets the persistent poverty target. This target relates to the percentage of children living in households whose equivalised net income has been less than 60% of median equivalised net household income for at least three out of the past four years. The target is included because longer periods in poverty can have a significant detrimental impact on children’s experiences and life chances. Research shows that children who live in persistent poverty are likely to be at risk of worse outcomes than

those who live in temporary poverty, for example, being suspended or expelled from school (11% compared to 6%) or living in bad housing (48% compared to 33%).¹

22. *Subsection (3)* provides for the target percentage to be set by regulations which must be made before 2015. The target level cannot be set in primary legislation because the required data is not yet available. As stated in paragraph 12, data will be derived from the new survey *Understanding Society*. The Government expects that sufficient data will be available before 2015.
23. *Subsection (5)* provides that, instead of exercising the regulation-making power provided in subsection (3) to set a target percentage relating to persistent poverty, the Secretary of State may instead substitute a different persistent poverty target.
24. *Subsection (6)* provides that regulations under subsection (5) may only be made before 2015 and with the consent of the Commission.

Section 7: Interpretation of terms used in relation to targets

25. *Section 7* enables provision to be made for a number of technical terms underpinning the child poverty targets in this Part of the Act to be defined in regulations. Powers to make regulations under this section are subject to the affirmative resolution procedure.
26. As noted above, the child poverty targets are defined in the Act in such a way that success can be measured by Government analysis of two statistical surveys, the Family Resources Survey and *Understanding Society*. If survey methodologies improve with regard to measuring income and poverty for children, and these improvements are incorporated into these surveys, it will be necessary to amend the definitions used for the child poverty targets in the Act so that they match the definitions used in the survey. This would ensure that the survey is still able to measure success against the targets as defined in the Act. If no such regulation-making powers were conferred, and the survey methodology changed, the survey could not be used to measure success against the targets.
27. These powers will also ensure that if the way in which income is defined for the relevant survey statistics changes in response to research or methodological evidence, these changes can be reflected in the definitions used in the Act.
28. *Subsection (1)(a)* provides a power to set out in regulations the definition of a “qualifying household” for the purposes of the child poverty targets. Qualifying households are likely to be defined according to the rules the surveys use to sample households.
29. *Subsection (1)(b)* provides a power to define the circumstances in which a child is or is not to be regarded as living in a qualifying household. This would cover, for example, situations where a child spends time living in different households.
30. *Subsection (1)(c)* provides a power to set out in regulations what is to be regarded as the income of a household for the financial year for the purposes of the targets. This power is likely to be used to set out how different types of income from different family members are to be treated, and how the income data collected is to relate to a financial year.
31. *Subsection (1)(d)* provides a power to make provision about what deductions are to be made from a household’s income in calculating its net income. *Subsection (2)* provides that any deductions prescribed under regulations made under *subsection (1)(d)* must not include housing costs, but regulations made under that subsection may provide that specified expenses are not to be treated as housing costs.

¹ *The Circumstances of Persistently Poor Children: Evidence from the Families and Children Study*, DWP Research Report 487, 2008

32. *Subsection (1)(e)* provides a power to set out in regulations how household income is to be equivalised. Income is equivalised using equivalence scales, which reflect the extent to which households of different size and composition require a different level of income to achieve the same standard of living. There are a number of different scales that could be used and the intention is that regulations under this power will set out the equivalence scale to be used for the purpose of calculating household income under the Act.
33. *Subsection (4)* provides that when making regulations under *subsection (1)(a)* the Secretary of State must ensure that the targets cover as many children in the UK as possible, having regard to the surveys that are being or can reasonably be expected to be undertaken to measure child poverty. For example, this would ensure that regulations made under this section would reflect any improvements in survey methodologies which extend the coverage of the survey.

Section 8: The Child Poverty Commission

34. *Section 8* establishes the Child Poverty Commission. Details about the Commission are set out in Schedule 1.
35. *Subsection (4)* provides that the Secretary of State may make an order abolishing the Commission at any point after the end of the target year. This power will be used if the Government considers that there is no longer any role for the Commission. The order-making power is subject to the affirmative resolution procedure.
36. *Subsections (5) and (6)* allow an order abolishing the Commission to include any necessary transitional arrangements and to repeal the various provisions of the Act relating to the Commission as well as any other statutory references to this body.

Section 9: UK strategies

37. *Section 9 (subsection (1))* places a duty on the Secretary of State to publish and lay before Parliament a UK child poverty strategy, within 12 months of Royal Assent.
38. *Subsection (2)(a)* provides that a UK strategy must set out the measures that the Secretary of State proposes to take in order to comply with the duty in section 2 to meet the targets (in sections 3 to 6). *Subsection (2)(b)* provides that the strategy must also set out measures to be taken to ensure as far as possible that children in the UK do not experience socio-economic disadvantage.
39. *Subsection (3)* concerns the contribution of the devolved administrations to the UK strategy. It provides that the UK strategy may refer to proposals made by the devolved administrations.
40. *Subsection (4)* requires that before the end of the period to which a UK strategy relates, the Secretary of State must review the strategy and publish and lay before Parliament a revised UK strategy. Strategies must be published every 3 years; however, there is no requirement to publish revised strategies after the beginning of the target year.
41. *Subsection (5)* provides that in preparing a UK strategy the Secretary of State must consider whether measures ought to be taken in relation to the main areas of policy for tackling child poverty. They are: parental employment and skills; financial support; provision of information, advice and assistance to parents and promotion of parenting skills; physical and mental health, education and social services; and housing, the built and natural environment and the promotion of social inclusion.
42. *Subsection (6)* provides that in preparing a UK strategy the Secretary of State must consider which groups of children in the UK appear to be disproportionately affected by socio-economic disadvantage, and to consider the likely impact of any proposed measures in the policy areas listed in *subsection (5)* on children within these groups.

43. *Subsection (7)* concerns the required content of the strategy. *Subsection (7)(a)(i)* provides that the Secretary of State must describe the progress towards each of the targets in sections 3 to 6 that he thinks is needed over the period covered by the strategy in order to reach the targets by the end of the target year. *Subsection (7)(a)(ii)* requires the Secretary of State to set out in the strategy the progress that he intends to make in the period covered by the strategy in achieving the aim of ensuring as far as possible that children do not experience socio-economic disadvantage.
44. *Subsection (7)(b)* requires the Secretary of State to set out in the strategy the progress (other than that which is a result of ensuring that the targets are met) he intends to make by the end of the target year in ensuring as far as possible that children do not experience socio-economic disadvantage. This provision is aimed at children, such as those living in communal establishments or institutions, who are not included in the targets in sections 3 to 6. In this way the Act addresses poverty experienced by all children, and is not limited to children whose circumstances can be measured by the targets in sections 3 to 6.
45. *Subsection (8)(a)* requires a revised UK strategy to describe the measures taken in accordance with the previous UK strategy, or in accordance with strategies prepared by the devolved administrations. A revised UK strategy must also describe the effect that those measures had on progress towards meeting the targets in sections 3 to 6 (*subsection (8)(b)*) and other effects of those measures on the aim of ensuring as far as possible that children do not experience socio-economic disadvantage (*subsection (8)(c)*).
46. *Subsection (9)* provides that the period to which a strategy relates is three years from the date on which the UK strategy is laid before Parliament, except when a strategy is laid before Parliament less than three years before the beginning of the target year, in which case the period runs from the date it was laid until the end of the target year.

Section 10: Provision of advice by Commission and consultation with others

47. *Section 10* sets out the role of the Commission in providing advice to the Government and specifies who the Secretary of State must consult in preparing UK strategies. *Subsection (1)* places a duty on the Secretary of State to request the advice of the Commission when preparing a UK strategy. The Secretary of State must specify in the request the date by which the Commission must give its advice.
48. *Subsection (2)* allows the Secretary of State at any time to request the advice of the Commission (by a specified deadline) on matters connected with a UK strategy (*subsection (2)(a)*) or the targets in sections 3 to 6 (*subsection (2)(b)*).
49. *Subsection (3)* requires the Secretary of State to have regard to advice provided by the Commission.
50. *Subsection (4)* provides that, when preparing a UK strategy, the Secretary of State must consult: such local authorities or associations of local authorities in England as the Secretary of State thinks fit; the devolved administrations; such children and organisations working with or representing children, as the Secretary of State thinks fit; and such parents and organisations working with or representing parents, as the Secretary of State thinks fit. The Secretary of State may also consult other persons.
51. *Subsection (5)* relates to the preparation of a UK strategy. It provides that when preparing a strategy, the Secretary of State must have regard to any Scottish, Welsh, or Northern Ireland strategy.

Section 11: Scottish strategies

52. *Section 11 (subsection (1))* requires the Scottish Ministers to publish and lay before the Scottish Parliament the first Scottish child poverty strategy within 12 months of Royal Assent.

53. *Subsections (2)(a) and (b) specify that this strategy must set out the measures that the Scottish Ministers propose to take to contribute towards achieving the UK targets in sections 3 to 6 and to ensure as far as possible that children in Scotland do not experience socio-economic disadvantage.*
54. *Subsection (3) requires that before the end of the period to which a Scottish strategy relates, the Scottish Ministers must review the strategy and publish and lay before the Scottish Parliament a revised Scottish strategy. Strategies must be published every 3 years; however, there is no requirement under this section to publish revised strategies after the beginning of the target year.*
55. *Subsection (4) concerns the content of a Scottish strategy. Subsection (4)(a)(i) requires the strategy to describe the progress the Scottish Ministers intend to make over the period covered by the strategy in contributing to the meeting of the targets in sections 3 to 6 by the end of the target year. Subsection (4)(a)(ii) requires the Scottish Ministers to set out in the strategy the progress that they intend to make in the period covered by the strategy in achieving the aim of ensuring as far as possible that children in Scotland do not experience socio-economic disadvantage. Subsection (4)(b) requires the Scottish Ministers to set out in the strategy the progress (other than that which is a result of ensuring that the targets are met) they intend to make by the end of the target year to ensure as far as possible that children do not experience socio-economic disadvantage.*
56. *Subsection (5) requires a revised Scottish strategy to describe: the measures taken in accordance with the previous Scottish strategy, the effect that those measures had on progress towards meeting the targets in sections 3 to 6 and other effects of those measures that contribute to the aim of ensuring as far as possible that children in Scotland do not experience socio-economic disadvantage.*
57. *Subsection (6) provides that a Scottish strategy may not include proposed measures that relate to reserved matters, within the meaning of the Scotland Act 1998.*
58. *Subsection (7) requires the Scottish Ministers to lay before the Scottish Parliament an annual report describing: the measures taken by the Scottish Ministers in accordance with the Scottish strategy; how those measures have contributed to meeting the targets in sections 3 to 6 and the aim of ensuring as far as possible that children in Scotland are not affected by socio-economic disadvantage.*
59. *Subsection (8) makes provision about the dates by which the annual reports must be laid before the Scottish Parliament.*
60. *Subsection (9) specifies that the period to which a Scottish strategy relates is three years from the date on which the strategy is laid before the Scottish Parliament, except when a strategy is laid before the Scottish Parliament less than three years before the beginning of the target year, in which case the period runs from the date it was laid until the end of the target year.*

Section 12: Northern Ireland strategies

61. *Section 12 (subsection (1)) requires the relevant Northern Ireland department to publish and lay before the Northern Ireland Assembly the first Northern Ireland child poverty strategy within 12 months of Royal Assent.*
62. *Subsections (2)(a) and (b) specify that the strategy must set out the measures that the Northern Ireland departments propose to take to contribute towards achieving the UK targets in sections 3 to 6 and to ensure as far as possible that children in Northern Ireland do not experience socio-economic disadvantage.*
63. *Subsection (3) requires that before the end of the period to which a Northern Ireland strategy relates, the relevant Northern Ireland department must review the strategy and publish and lay before the Northern Ireland Assembly a revised Northern Ireland strategy. Strategies must be published every three years; however, there is no*

requirement under this section to publish revised strategies after the beginning of the target year.

64. *Subsection (4)* concerns the content of the Northern Ireland strategy. *Subsection (4)(a)(i)* requires the strategy to describe the progress that the Northern Ireland departments intend to make over the period covered by the strategy in contributing to the meeting of the targets in sections 3 to 6 by the end of the target year. *Subsection (4)(a)(ii)* requires the strategy to set out the progress the Northern Ireland departments intend to make in the period covered by the strategy in achieving the aim of ensuring that as far as possible that children in Northern Ireland do not experience socio-economic disadvantage. *Subsection (4)(b)* requires the strategy to describe the progress that the Northern Ireland departments intend to make (other than that which is a result of ensuring that the targets are met) by the end of the target year in ensuring as far as possible that children in Northern Ireland do not experience socio-economic disadvantage.
65. *Subsection (5)* requires a revised Northern Ireland strategy to describe: the measures taken by the Northern Ireland departments in accordance with the previous Northern Ireland strategy, the effect that those measures had on progress towards meeting the targets in sections 3 to 6 and other effects of those measures that contribute to the aim of ensuring as far as possible that children in Northern Ireland do not experience socio-economic disadvantage.
66. *Subsection (6)* provides that a Northern Ireland strategy may not include proposed measures that relate to excepted or reserved matters, within the meaning of the Northern Ireland Act 1998.
67. *Subsection (7)* requires the relevant Northern Ireland department to lay before the Northern Ireland Assembly an annual report describing: the measures taken by the Northern Ireland departments in accordance with the Northern Ireland strategy; how those measures have contributed to meeting the targets in sections 3 to 6 and the aim of ensuring as far as possible that children in Northern Ireland are not affected by socio-economic disadvantage.
68. *Subsection (8)* makes provision about the dates by which the annual reports must be laid before the Northern Ireland Assembly.
69. *Subsection (9)* specifies that the period to which a Northern Ireland strategy relates is three years from the date on which the strategy is laid before the Northern Ireland Assembly, except when a strategy is laid before the Northern Ireland Assembly less than three years before the beginning of the target year, in which case the period runs from the date it was laid until the end of the target year.

Section 13: Advice and consultation: Scotland and Northern Ireland

70. *Section 13* makes provision about the role of the Commission in relation to the preparation of Scottish and Northern Ireland strategies. It also requires the devolved administrations to consult particular persons when they are preparing those strategies.
71. *Subsection (1)* places a duty on the Scottish Ministers and the relevant Northern Ireland department to request the advice of the Commission when preparing a Scottish or Northern Ireland strategy and to specify a date by which the advice must be provided.
72. *Subsection (2)* requires the Scottish Ministers and the relevant Northern Ireland department to have regard to the Commission's advice in the development of their strategies.
73. *Subsection (3)* lists the parties that the devolved administrations must consult in preparing their strategies. The Scottish Ministers must consult such local authorities or associations of local authorities in Scotland as they think fit. Both the Scottish Ministers and the relevant Northern Ireland department are required to consult the Secretary of State and such children and organisations working with or representing children, as they

think fit; and such parents, and organisations working with or representing parents, as they think fit. They may also consult other persons.

Section 14: Reports by Secretary of State

- 74. *Section 14* imposes a duty on the Secretary of State to produce and lay before Parliament annual reports and includes other provision relating to those reports. *Subsection (1)* requires the Secretary of State to produce annual reports on the progress made towards meeting the targets in sections 3 to 6, and in implementing the UK strategy.
- 75. *Subsection (2)* makes provision about the dates by which the reports relating to a UK strategy must be laid before Parliament.
- 76. *Subsection (3)* requires the Secretary of State, as soon as reasonably practicable after the end of the target year, to lay before Parliament a report on the progress made in implementing the most recent UK strategy.
- 77. *Subsection (4)* provides that a report must describe: the measures taken by the Secretary of State in accordance with the UK strategy; the measures taken by the devolved administrations in accordance with their strategies; and the effect of all those measures on progress towards the targets set in sections 3 to 6 and the aim of ensuring as far as possible that children in the UK are not affected by socio-economic disadvantage.
- 78. *Subsection (5)* provides that if the measures in the UK strategy have not been implemented in full the annual report must set out the reasons why.
- 79. *Subsection (6)* provides that before preparing an annual report the Secretary of State must consult the devolved administrations.

Section 15: Statement required in relation to target year

- 80. *Section 15* requires the Secretary of State to include a statement in the report under section 14(3). *Subsection (1)* provides that this statement must describe whether the targets in sections 3 to 6 have been met.
- 81. *Subsection (2)* requires the statement to be based on statistics officially classified as National Statistics. In practice this means that the statistics will be taken from the Department of Work and Pensions' Households Below Average Income data set, derived from its Family Resources Survey, and the *Understanding Society* survey undertaken by the University of Essex on behalf of the Economic and Social Research Council.
- 82. *Subsection (3)* provides that the percentages given in the statement will determine whether the targets in sections 3 to 6 have been met in relation to the target year.
- 83. *Subsection (4)* requires that if any of the targets in sections 3 to 6 have not been met the report under section 14(3) must give reasons for this.

Section 16: Economic and fiscal circumstances

- 84. *Section 16(1)* requires the matters mentioned in *subsection (2)* to be taken into account by the Secretary of State when preparing a UK strategy, and by the Commission when considering any advice to be given to the Secretary of State or the devolved administrations.
- 85. *Subsection (2)* provides that the matters that must be taken into account are economic circumstances and the likely impact of any measure on the economy (*subsection (2)(a)*) and fiscal circumstances and the likely impact of implementing any proposed measure on taxation, public spending and public borrowing (*subsection (2)(b)*).
- 86. *Subsection (3)* sets out the matters that the Scottish Ministers and the relevant Northern Ireland department must have regard to in preparing their strategies. The matters that

*These notes refer to the Child Poverty Act 2010 (c.9)
which received Royal Assent on 25 March 2010*

must be taken into account are the resources that are or may be available to the Scottish Ministers or to the Northern Ireland departments, (*subsection (3)(a)*) and the effect of the implementation of any proposed strategy on those resources (*subsection(3)(b)*).

Section 17: Continuing effect of targets after target year

87. *Section 17* introduces Schedule 2, which contains provision regarding the continuing effect of the targets after the target year.

Section 18: Interpretation of Part 1

88. *Section 18* provides definitions for the purposes of Part 1 of the Act.