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Social Security Advisory Committee
The Adelphi
1-11 John Adam Street
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Tuesday, 21 December 2010

Dear Advisory Committee Members

Consultation on the changes to the Sure Start Maternity Grant announced in the Emergency Budget 2010

4Children is the national charity all about children and families. We have spearheaded an integrated approach to children's services and work strategically with a wide range of partners around the country to support children and families in their communities. We run Sure Start Children's Centres as well as family and youth services across Britain. We develop, influence and shape national policy on all aspects of the lives of children, young people and families.

We welcome the opportunity to make representations about the potential impact of ending payments of the Sure Start Maternity Grant (SSMG) for second and subsequent children.

We recognise the Government's commitment to reducing public spending in order to cut the nation's budget deficit. However, we are concerned that some of the proposed reductions in spending fail to meet the 'family test': that that they risk making life harder for families who are struggling to make ends meet during difficult times. We are particularly concerned about cuts to support for families during the crucial pregnancy to 5 years stage, which the Government has itself recognised[1] as vital.

More specifically we would like to raise the following concerns about the proposals to change the Sure Start Maternity Grant:

1. *Cuts disproportionally hitting children and low income families*

These cuts are part of a wide ranging set of reductions in support to families with children, which the Institute for Fiscal Studies has identified as having been hit proportionately the hardest by recent changes to tax and benefits.

[1] The recent report by Frank Field MP, 'The Foundation Years: preventing poor children from becoming poor adults' [on behalf of the Government] sets out the evidence base for the importance of early years policy.

Axing of the Sure Start Maternity Grant is a regressive measure that will hit those at the bottom of the income scale hardest. The £140m currently spent on the SSMG goes to those families on low and modest incomes. In order to qualify for the Grant families must receive one of a number of qualifying benefits or be receiving tax credits at the higher level.

2. *Removing financial support at costly period*

This Grant is a welcome sum for parents-to-be on low incomes, who find any additional financial support extremely useful in helping cope with the expensive process of preparing for the birth of a baby.[2] In particular, in the current economic climate with incomes stagnating, or falling, and costs such as VAT and food prices rising these resources are particularly important.

3. *Impact on child poverty*

The analysis by the Dept for Work and Pension's Social Fund Team suggests in its Memorandum to the Committee that the measure will 'cause hardship' [page 4]. It also highlights that it will not lead to a rise in the official poverty statistics, which do not recognise one off payments, which means its true impact may be hidden. Given that work by the Institute of Fiscal Studies[3] shows that 200,000 more children will live in poverty as a result of Government spending decisions by 2014, we are concerned that the reality of removing the important support of SSMG will exacerbate this, and mean that more children start life in hardship.

In addition, as we know that one of the family types more vulnerable to child poverty are larger families, we believe such families will be hit hard by the loss of financial support for second and subsequent children.

4. *This measure will have a disproportionate impact on certain ethnic minority groups who are vulnerable to low income*

The DWP Memorandum recognises [page 5] that in particular Pakistani and Bangladeshi families are more likely to have two or more children – meaning that they lose disproportionately more support from the removal of SSMG for second and subsequent children. In addition, these are ethnic groups that are over represented in the poverty figures – see Figure 1 below.

[2] According to the Halifax the average pregnancy cost, and preparing for a baby, is around £1,600.
[3] Mike Brewer and Robert Joyce (2010) *Child and Working Age Poverty from 2010 to 2013,* Institute for Fiscal Studies

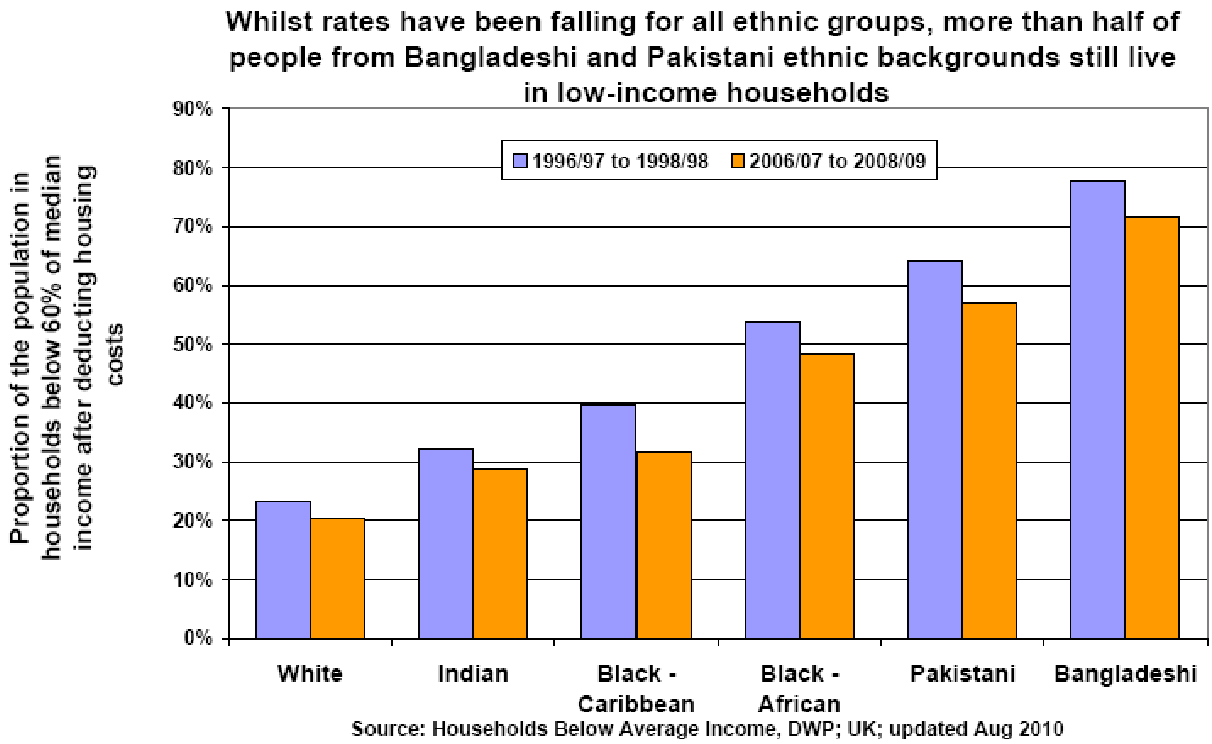

Figure 1

This leads 4Children to be concerned that these families will be disproportionately affected by changes to the SSMG and that this will deepen poverty and disadvantage for some Bangladeshi and Pakistani children.

5. *Parents may be driven to high interest lenders to make provision for their new baby*

Irresponsible lending can cause debts to become unmanageable: some loan and credit companies are charging annual interest rates equivalent to over 2500% (despite the Bank of England base rate being just 0.5%). Borrowing at these rates repeatedly tips customers into inescapable cycles of debt and poverty. High debt repayments are linked to rent, council tax and utility arrears, constraints on job-seeking behaviour, poor diets, cold homes, and mental and physical health problems.

It has been estimated that millions of families and individuals on lower and middle incomes are not catered for by many of the High Street banks, and they have no choice but to borrow at extremely high rates of interest. As a result, those most in need often pay the highest rates to obtain credit. Around 3 million people use high cost door to door loans which often charge £83 in interest and collection charges for every £100 borrowed. [4]

[4] www.endlegalloansharking.org.uk

4Children is concerned that vulnerable parents may seek to meet the costs of pregnancy and the early months of their child's life by borrowing money from high rate lenders. This risks putting these families into long term debt from which they can struggle to escape.

If you need any more information, please do not hesitate to contact Claire McCarthy, Director of Public Affairs at 4Children on claire.mccarthy@4children.org.uk or 020 7522 6929

Yours sincerely,

pp Claire McCarthy

Anne Longfield
Chief Executive, 4Children