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Savings Accounts and Health in Pregnancy Grant Bill: Committee Stage Report

Bill 73 of 2010-11

RESEARCH PAPER 10/77 18 November 2010

The global financial crisis has had a profound effect on the public finances. Both the previous and current governments planned for reductions in public expenditure. This Bill gives effect to decisions made as part of the initial review of public expenditure undertaken soon after the 2010 General Election. Three schemes introduced by the previous Labour Government – the Child Trust Fund; the Saving Gateway; and the Health in Pregnancy Grant – are deemed unaffordable by the Coalition Government and will therefore stop. This Paper summarises proceedings in the Commons Committee Stage of the Bill. Several amendments were put to a division but none were successful.

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Steven Kennedy

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Research Paper 10/77

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ISSN 1368-8456

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Summary

Faced with a substantial public finance deficit both the previous and current governments formulated plans to reduce public spending. As part of these plans, three schemes were identified by the Coalition Government as being unaffordable in the present economic climate. These were:

- the Child Trust Fund;
- the Saving Gateway; and
- the Health in Pregnancy Grant

The Child Trust Fund established an endowment fund for children born from September 2002 to which government would make a contribution at birth and at the age of seven. Parents, relatives and friends of the child could make additional contributions up to a certain limit. At 18, the child would have access to the fund free of tax. There were no conditions on how the fund was to be used and because no recipient has yet reached 18, the full impact of the scheme is as yet unclear. Experience to date suggests that the scheme was popular with parents and relatives as a way of channelling savings for children. Although the Bill stops new accounts, existing accounts will remain but with no further government contribution.

The Saving Gateway would have provided an incentive for individuals in receipt of certain benefits to save by providing a government bonus proportionate to how much had been saved. It had been trialled in various cities and research from those trials suggested that it provided a positive incentive to save for those who participated. The decision to end the scheme was taken before the national roll-out started and before any accounts had been opened.

The Health in Pregnancy Grant is a tax free, lump sum payment of £190 made to expectant mothers in the later stages of pregnancy who are ordinarily resident in the United Kingdom. The grant was introduced in response to evidence regarding the importance of a healthy diet in the final weeks of pregnancy and the additional costs faced by parents when their children are born.

Savings resulting from the abolition of these measures are likely to total about £4 billion by 2015-16.

The Committee Stage had eight sittings of which three (and a half) were taken with oral evidence sessions. No changes were made to the Bill although there were several divisions on Opposition amendments.

1 Introduction

The global financial crisis has had a profound effect on the public finances. Both the previous and current governments had plans for reductions in public expenditure. This Bill gives effect to decisions made as part of the review of public expenditure undertaken soon after the General Election. Three schemes introduced by the previous Labour Government – the Child Trust Fund; the Saving Gateway; and the Health in Pregnancy Grant – are deemed to be unaffordable by the Coalition Government and will be brought to a close. One of the three – the Child Trust Fund – has been in operation for a number of years. The Health in Pregnancy Grant was introduced only in 2009, while the Saving Gateway has only existed thus far as pilot schemes in selected parts of the country.

Copies of the Bill and the accompanying Departmental Explanatory Notes can be found on the Parliamentary website.[1] Library Research Papers produced when the original legislation was introduced can also be found on the Parliamentary website. They contain considerably more detail on the individual schemes should readers require further information.

Child Trust Funds Bill (Bill 1 of 2003-04)

Saving Gateway Accounts Bill (Bill 3 of 2008-09)

Health and Social Care Bill (Bill 9 of 2007-08)

Research Papers covering the Commons Committee Stages of these Bills are also available:

Saving Gateway Accounts Bill

Health and Social Care Bill

The present Bill applies to the whole of the UK although parts of it refer to specific national requirements separately. Detailed information on the provisions in the Bill and the background to them can be found in the Library Research Paper prepared for Second Reading.[2]

This Paper summarises proceedings in the Commons Committee Stage of the Bill. Several amendments were put to a division but none were successful.

2 Second Reading

The Bill received its Second Reading on 26 October 2010. Introducing the Bill, the Financial Secretary to the Treasury, **Mark Hoban**, said that the three measures in the Bill shared the same aim of helping to reduce the budget deficit:

> This year, the child trust fund would have cost more than half a billion pounds, and that money would have been locked in for up to 18 years instead of supporting people now. That is a luxury that we simply cannot afford, given the fiscal challenge that we face. We also could not afford to introduce a new scheme like the saving gateway, which would have cost £300 million over the next five years, just as we started to tackle that challenge. Nor can we afford to continue to spend £150 million every year on giving cash payments to all pregnant women, whatever they spend the money on and whatever their incomes.[3]

1 Savings Accounts & Health in Pregnancy Bill
2 Research Paper 10/66
3 HC Deb 26 October 2010 c205

With regard to the **Saving Gateway (SG)**, Mr Hoban said that while evidence from the pilot projects suggested that matching was a popular and easily understood incentive to save, the Government had concluded before the June Budget that it was "exactly the wrong time to introduce a new scheme that would have cost us £115 million a year".[4] The Government was also concerned that low take-up of the scheme by the financial services industry would mean that not everyone eligible for it would have had an accessible provider. The Minister added however that the Government "may want to come back to this idea at some point in the future".[5]

On the **Health in Pregnancy Grant (HiPG)**, Mr Hoban said it was not clear how effective a payment in the third trimester was, since the evidence suggested that for dietary interventions during pregnancy to have the greatest impact, they should start as early as possible. He added:

> Although the previous Government said the grant was intended to support the general health and well-being of women in the later stages of pregnancy, there is no requirement to use the grant for better health and well-being. Women can spend the money on whatever they want, and the grant also goes to pregnant women regardless of their income and their need for it.[6]

The Minister pointed out that other measures – including the Health Start scheme – were already in place which targeted women in the early stages of pregnancy, and that the Sure Start Maternity Grant would continue to be paid for the first child in low income families. The Health in Pregnancy Grant was however "unfocused and untargeted".[7] Mr Hoban also highlighted other measures announced by the Coalition "to ensure that child poverty does not deteriorate under this Government", including increases in the Child Tax Credit.[8]

Mr Hoban said that while he realised that many people would be disappointed by the ending of Government contributions to the **Child Trust Fund (CTF)**, the scheme was "simply unaffordable given the deficit that we face and the need to focus our resources on supporting people now".[9] However, he said that the Government remained committed to encouraging people to save, adding "I want to see a saving system that is based on our principles of freedom, fairness and responsibility, as well as being affordable and effective". The Minister continued:

> ...the saving gateway and the child trust fund are not affordable given the budget deficit that we inherited, so we are taking a different approach to encouraging saving that builds on the latest research on how to influence people's behaviour.
>
> The coalition agreement announced the roll-out of a free, impartial national financial advice service paid for by the financial services industry. The service will be fully rolled out by spring next year, providing information and advice on money matters and helping people to understand their options.
>
> [...]
>
> In the Budget, we announced that an annual financial health check will also be available from next spring as a component of the national financial advice service, offering everyone the chance regularly to review their financial situation and

4 HC Deb 26 October 2010 c206
5 HC Deb 26 October 2010 c206
6 HC Deb 26 October 2010 c207
7 HC Deb 26 October 2010 c208
8 HC Deb 26 October 2010 c209
9 HC Deb 26 October 2010 c211

encouraging them to take action including through saving. Both the national financial advice service and the annual financial health check will help people to make the right decisions. We can also do that by making sure that the right products are available, including for families to save for their children.

To make sure that parents have a clear, simple and accessible option to save for their children, we will introduce a new, tax-free children's savings account after the end of child trust fund eligibility. That account will not have any Government contributions, but it will allow families to build up some savings for their children.[10]

The savings from the Child Trust Fund, the Saving Gateway and the Health in Pregnancy Grant would, said Mr Hoban, allow the Government to "prioritise the limited resources that we have". The Government was committed to increasing health spending in real terms in each year of the Parliament, and was also prioritising "long-term growth, creating the conditions for a private sector led recovery", while at the same time "radically reforming public services to build the big society where everyone plays their part".[11] The Minister continued:

We are prioritising fairness and social mobility, providing sustained routes out of poverty for the poorest. While encouraging some of the poorest to build up savings can be seen as meeting those goals, in the tight fiscal position that we have inherited, it is better to invest more in education and health, which will have a greater immediate impact than building up assets.[12]

One of the Government's priorities was the pupil premium, which would "transform the prospects of the poorest children"[13]:

Through the schools pupil premium, which will be worth £2.5 billion by 2014-15, as well as by extending the provision of 15 hours a week of early-years education and care to all disadvantaged two-year-olds from 2012-13, and by maintaining funding for Sure Start in cash terms, we will provide real opportunities for disadvantaged children to move out of poverty for the long-term. We will also use some of the savings from withdrawing child benefit from families with a higher-rate taxpayer to fund significant above-indexation increases in the child tax credit, thereby ensuring that the spending review will have no measurable impact on child poverty in the next two years.

Some people say that stopping Government payments to child trust funds is not fair to children, but there would be nothing fair about leaving the next generation with unsustainable debts that would mean higher taxes and poorer public services. We can fund our priorities at the same time as reducing the deficit only if we find savings elsewhere and this Bill will contribute to that.[14]

Replying for the Opposition, the Labour Treasury Spokesperson **David Hanson** said:

[The Bill] will hit the poorest in our society the hardest and it will undo the positive steps that the previous Labour Government took to tackle inequality. I say to [the Financial Secretary to the Treasury], on behalf of my right hon. and hon. Friends, that it is a bad Bill and that we will oppose it this evening in the Lobby.[15]

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[10] HC Deb 26 October 2010 cc211-212
[11] HC Deb 26 October 2010 c212
[12] HC Deb 26 October 2010 c213
[13] HC Deb 26 October 2010 c213
[14] HC Deb 26 October 2010 c214
[15] HC Deb 26 October 2010 c214

Each of the three measures was, he said, "being jettisoned by the Conservatives and Liberal Democrats not as a matter of deficit reduction but as a matter of dogma".[16]

The CTF, Mr Hanson said, was having a "positive effect" and the decision to abolish it, along with the SG, was "short term and misguided".[17] He added:

> One of the great benefits of the child trust fund was that it encouraged people on lower incomes to save, it gave a kick-start to their savings accounts and it helped them to get into the habit of saving. The change that the Minister has made will mean that those people who can save will save, and those who are not used to saving, do not have the resources to save or are not part of that savings culture, will not. That will impact, in due course, on the inequalities of people in their 18th year.[18]

On the SG, Mr Hanson said that the pilot schemes had "...shown that we can generate new savers, new saving and, indeed, help people on poorer incomes to put aside money to meet some of the challenges that they face in their daily lives".[19] He also noted that the *Saving Gateway Accounts Bill* had received the support of the Conservatives in Opposition, and asked what the Minister proposed to do, in the absence of the SG, to promote a culture of saving among people on lower incomes.[20]

With regard to the HIPG, Mr Hanson said that critics should listen to the groups that were arguing for its retention:

> It is important not just for health but for costs of pregnancy, such as maternity dresses or equipment for the home, or covering time taken off work through ill health. Women on poor incomes need help and support to cover those important things, and this universal grant can help individuals to meet those needs at a time of great stress in the 25th week of pregnancy.[21]

Looking at the Bill as a whole, Mr Hanson said:

> The changes proposed in the Bill, coupled with changes to direct tax, tax credits and benefits, will hit women harder than men. The spending review changes hit women twice as hard as men. The emergency Budget changes hit women three times as hard as men. Cuts in child care, tax credits, child benefit and other support will make it harder for women to work. More than £6 billion is now being cut in direct financial support for children-three times more than is being taken from banks.[22]

Furthermore, the Government had ignored options other than outright abolition of the schemes:

> In conclusion, the debate is about choices for the future. As my hon. Friends have pointed out, other choices could have been made. I am not saying that I would have supported them or agreed with them, but the Government could have considered a range of other choices. They could have suspended payments for a period of time for the child trust fund, the maternity grant or the savings gateway. They could have means-tested them, so that individuals with the highest income in society did not receive the maternity grant or the child trust fund.

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16 HC Deb 26 October 2010 c215
17 HC Deb 26 October 2010 cc 215-217
18 HC Deb 26 October 2010 c218
19 HC Deb 26 October 2010 c218
20 HC Deb 26 October 2010 c220
21 HC Deb 26 October 2010 c221
22 HC Deb 26 October 2010 c223

> The Government could have considered measures including a payment holiday. They could have considered phasing out the support over a longer period. They could have done all those things, but they have not. They have taken a sledgehammer to the child trust fund, the savings gateway and the health in pregnancy grant. It is not the deficit that is driving these measures; it is dogma on the part of the Conservative party.
>
> The Government do not recognise the pressures of bringing up a child with limited financial means in the 21st century; they do not understand the difficulties faced by people trying to save on a low incomes; and they do not understand the difficulties that mothers- to-be on low incomes face in the final weeks of their pregnancy. The Bill shows that the Government have made the wrong choices. It will deepen inequalities in our society, and I urge all right hon. and hon. Members to reject it.[23]

The Bill received a Second Reading by 318 votes to 224. A programme motion was agreed without a vote.[24]

3 Committee Stage

3.1 Oral evidence sessions

Evidence was heard from witnesses representing a variety of interests:

Date	*Witness*
Tuesday 2 November	The Institute for Fiscal Studies. The Association of Financial Mutuals; the British Bankers' Association; the Building Societies Association; the Tax Incentivised Savings Association.
Tuesday 2 November	The Children's Mutual; the Association of British Credit Unions Limited. 4Children; Scope
Thursday 4 November	The National Childbirth Trust; the Family and Parenting Institute; the Royal College of Midwives.
Thursday 4 November	The Centre for Social Justice; the Institute for Public Policy Research; Toynbee Hall. HM Treasury.

Savings accounts evidence sessions

Carl Emmerson of the IFS concentrated much of his time on the 'opportunity cost' of both the CTF and the SG:

> What is your assessment of its [CTF] success to date?
>
> ***Carl Emmerson:*** Because of its nature, it is extremely difficult to evaluate something like the child trust fund. You are giving money to newborns, which they will have available to spend in 18 years' time. It is not plausible that the Government could have piloted it, as they would have had to wait at least 18 years to get any results. We don't yet know what benefits it will deliver. It is not possible to know that about a policy that was introduced so recently with such a long lag.

[23] HC Deb 26 October 2010 c224
[24] HC Deb 26 October 2010 cc280-284

> For me, it is the same for the child trust fund. It is a lump-sum transfer from the Government to newborns. In that sense, economists would say that it doesn't do any harm; it is not changing incentives in a way that is unhelpful. Perhaps the bigger question is whether it does the most benefit for the use of the money. Is it a good idea? You could just give families with newborns a lump sum and say, "You can choose to spend it or save it as you wish." You could give a lump sum to 18-year-olds, if you felt that it was an important time in their lives. It has never been clear to me whether the child trust fund is the best way of supporting those families.[25]

He also made the point, with respect to low income families, that *spending* money on a child might yield as great a benefit as saving money on its behalf and, he thought, "An emphasis on public service delivery or boosting the incomes of those [low income] families would be better than a child trust fund approach".[26] Likewise, he was sceptical as to the evidence for benefits derived from asset-based welfare:

> **Q 22 Alison McGovern:** On the evidence that the Government had offered at the time of commencing the child trust fund, you felt that 18-year-olds with an asset do better. You felt that was correlation rather than causation. Could you say a bit about the data and why you thought that?
>
> ***Carl Emmerson:*** Essentially, individuals were interviewed at age 18 and we could identify which 18-year-olds had money in a savings account, had investments or had received an inheritance. Then, later in life, they were re-interviewed, and the evidence looked at whether they were unemployed, whether they were divorced, whether they smoked—all different outcomes that you might want to improve. It was the case that individuals who happened to hold savings or investments at age 18 were less likely to have these less good outcomes happen to them later in life. That is probably saying that individuals who were better able to plan ahead were those who were more able to have an asset at age 18, and those who were more likely to have these other, better outcomes. I do not think that having the savings or investments was actually the cause. One thing that supports me in this is that when you looked at the receipt of inheritance, which is perhaps a little more random than whether the individual chose to have some money in a savings account, there is absolutely no effect, but that was buried in a footnote to the research that the Government cited.[27]

Low earners he thought would prefer higher benefits to the SG which, he said, had seen people switch existing savings from ordinary accounts to SG pilot accounts simply to qualify for the match funding.[28]

Representatives of the financial services industry – mutual societies, banks and building societies – were to a greater or lesser degree supportive of what the savings accounts had achieved, especially the CTF:

> The majority of the stakeholder or equity-based child trust funds were provided by friendly societies and members of the Association of Financial Mutuals, so we have a particular interest in the success of the programme. Everything that we have seen through our work with the CTF demonstrated that it was really helping to achieve something quite significant, both in terms of the number of people who had a newfound interest in saving for their children and in the amount that they were saving. Typically, parents were saving at something like twice the rate that they were before the child

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25 PBC Deb, 2 November 2010 c6
26 Ibid c9
27 Ibid c12
28 Ibid c14

> trust fund and indeed, saving twice the amount that they were saving previously. To all intents and purposes, it has been a very successful product.[29]

And,

> One of the enlightening elements of what the child trust fund was doing, in terms of creating a savings culture, was that even during 2007 and 2008 when people were starting to feel the pinch through the recession, there was an ongoing commitment from parents to continue putting money into the child trust fund. That was the last thing that they wanted to give up. In terms of the amount that they were saving, and also the culture, that was very strongly enforced.[30]

The witnesses differed over the desirability of the format and potential start date of any successor to the CTF. The banks and building societies were more comfortable with a 'junior ISA' format but unwilling to commit to one being available from 4 January 2011 ready to pick up where the CTF left off. The Mutuals had provided the overwhelming bulk of the CTF accounts and were happier with that format, which, if it continued:

> It could be virtually the same as today's CTF, but without the Government contribution. If that was the case, it could be run on very easily from 4 January. If changes to the design of the product require changes in terms and conditions, publication, training, IT systems and so on, it will take much longer, possibly until the summer. [31]

During a later session the chief executive of the Children's Mutual, Graeme McAusland, indicated that the ending the CTF was "a significant impact on our business". He did not think that his organisation would be able to offer a junior ISA type account in January 2011.[32]

The witnesses were also asked if they would continue to offer CTF accounts in the future if government CTF contributions ended:

> ***Martin Shaw:*** Certainly before the election when the Conservatives were talking about reducing the cost of the CTF by half, we had a number of conversations with the shadow Financial Secretary about how we could develop a sustainable model to which we could continue to commit. That envisaged seeing the voucher itself dropped from the current £250 to £100. We maintained that that was still a basis by which we could develop a financially successful product. The absence of the voucher now means that some firms will no longer be able to take on new customers. Those are the ones who really only took on the revenue-allocated accounts and therefore have not developed any marketing experience to grow the market more generally themselves. Those that have will be able to continue.
>
> ***Eric Leenders:*** In the context of suppliers, those of our members that have provided child trust funds would look to provide whatever the successor might be. The question of demand remains open. One of the components of child trust funds that we have not yet been able fully to understand and measure is the propensity for getting new savers in. That is an important question that the Treasury needs to consider as it constructs whatever the replacement might look like.[33]

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[29] Ibid c24, evidence from Tax Incentivised Savings Association
[30] Ibid c25, evidence from Association of Financial Mutuals
[31] Ibid c27
[32] Ibid c44
[33] Ibid c32

By contrast, Graeme McAusland thought that the business model of his Society would be capable of continuing without the government contribution:

> We are a children's savings specialist. Our view when the child trust fund was launched was that we should be part of it. It seemed strange to be a children's savings specialist and not to be part of it. Our view was that to make it profitable for our business, we needed to do it on a large scale. These are relatively small accounts in terms of value. We came to the conclusion that the operation needed to be large scale to achieve economies of scale. We also recognised that for the economics to work for our business, it was crucial to get more money into the accounts beyond the Government money. We built a model that involved working with a range of distribution partners, getting as many of the accounts on board as possible and working creatively to encourage further contributions into the accounts. We were pretty successful in that.
>
> Last year, we had 200,000 new accounts, a large proportion of which had money paid in on top of the Government money. That was not just from people at the higher end of the income spectrum, but from across the spectrum. The model facilitated people from across the spectrum to get our accounts. For example, we had distribution partnerships with Asda, Boots and a range of building societies and banks. That allowed people to access the accounts in a way that is not possible with some other products.[34]

In a later evidence session, Katherine Rake, Chief Executive of the Family and Parenting Institute, first praised the CTF for the "very successful nudge for people, with regard to the inertia over people's savings" and argued strongly in favour of at least maintaining the mechanism until, perhaps, the economy improved:

> If it is working, let us keep it in principle. Given the straitened financial times we are in, I would favour a system of keeping the structure of the child trust fund. When we are not in such straitened financial times, since we know that it worked, we can restart it and work on it. As you say, choices could be made within that about looked-after children, where the state is the parent and wants to make some contribution for children with disabilities. That contribution could be continued during the interim period, and the universal elements could be brought back in later down the line once the economy has picked up.
>
> I think that the Government need to consider seriously before scrapping one of the most effective vehicles to stimulate savings, given what we know about the savings rate and the need for individuals to be more self-reliant and invest in their own education. If, for example, the pupil premium works and we get a new generation of poorer children entering university, we must give them the assets to take up that opportunity. It would be a tragedy for them, 18 years down the line, to get to the point where they have access to university places but feel unable to take them up. The sense of pride and of belonging to mainstream society that even a small amount of savings can bring is hugely important.[35]

Clear evidence emerged of reluctance, amongst the larger financial institutions to engage with the Saving Gateway (SG). The banking representative said that only two banks were interested. The building society witness outlined a number of points that made the market unattractive to his members:

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[34] Ibid c40
[35] PBC Deb, 4 November 2010 c98

> ***Adrian Coles:*** No building society had committed to offering a saving gateway account and there were four reasons for that. There was the small market size, which was estimated, according to my notes, as being—if it went really well—0.02% of the deposit market of the UK: that is one fifth of one tenth of 1%. That would have meant having a lot of systems development and staff training for a tiny market.
>
> The administration costs were seen as being very high, with very prescriptive statementing requirements and monthly reporting to Her Majesty's Revenue and Customs on account numbers, which we felt would have been very small.
>
> It would have required a significant investment in systems over the past couple of years, when costs in financial services organisations have been severely constrained, for a product that, subsequently, as a result of political change, was not to be introduced. A number of our members were put off from offering the scheme because of the political risk. There was a wide range of reasons why no building societies had committed themselves to offering that account, although we were fully involved by the Treasury—and thanks to it—in the consultation and development of the product.[36]

He continued:

> When I was here giving evidence to the Public Bill Committee that set up the Bill to establish the saving gateway, the Post Office clearly stated that it was targeting at least half that market. If you have the Post Office taking half the market, that makes the proportion of the market available to the building societies even tinier than I just suggested. It was quite clear that some institutions felt that they were suitable for that market, which made it more difficult for other institutions to offer the account.[37]

The witness representing credit unions, Mark Lyonette, was far more supportive of the SG and consequently more frustrated about its cessation:

> We were very supportive of the saving gateway all along, and one of the challenges for our sector, with both any future junior ISA or future saving gateway, will be persuading our members. Even the largest members, which are bigger than the smallest building societies, are still small businesses. It will be a challenge persuading them to put energy into designing and bringing forward new products and services when such accounts have been pulled away at the last minute. There will be a credibility gap for our members after what, for them, was a significant amount of preparation.
>
> I should say that we absolutely understand the fiscal deficit and all the challenges there, but that was very frustrating for people who had put in a lot of work, comparatively. We thought that the saving gateway would have a massive impact on the sector, and that we would produce a disproportionate amount of that, considering the present scale of the sector. So, it was just very disappointing. Moving forward, whether we are talking about junior ISAs or any other ways in which the Government might encourage people to save, there will be a problem in getting people to put the time in again.[38]

Later, however, he played down the significance of the end of the SG – "I don't think its withdrawal is a threat to the health of credit unions"[39] and that in the context of the big

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[36] PBC Deb, 2 November 2010 c34
[37] Ibid c35
[38] Ibid c48
[39] Ibid c51

challenge facing credit unions – "how can we make the step change in the scale of the sector"[40] – SG was not very significant:

> The real challenge for credit unions is actually to attract those savings, not to make the loans. I suggest that the people who are saving in a saving gateway would probably not be saving enough money to provide the cash pot that the credit union can make the loans from. Those people will contribute to the pot, but the credit unions that are most successful span a range of incomes and of ages—people typically tend to be a little more likely to be net savers as they get older. Really the challenge for credit unions—hence the partnership with the Post Office, and being able to have universal web access—is those people on slightly higher incomes, so that people can use credit unions because they are good value for a whole range of incomes and not simply because we are asking people to save out of a charitable act. That will happen for a few people, but not by enough to make it work. Our challenge is, you are right, to get those savings in. I think that the sort of savings that our successful credit unions bring in are at a higher level than those that would come from saving gateway, although they would clearly contribute to the pot.
>
> For example, some of our strongest community credit unions now have a very nice mix of people whose main source of income is benefit—they are very small savers and, in their terms, significant borrowers, but that is of loans for a few hundred pounds here and there. However, to fund that, the credit unions have people saving into cash ISAs. They are getting really attractive market rates for those cash ISAs, and that brings in enough savings from middle-income people so that you can then make those loans to the people who need them, at much better rates than they would get in the commercial sector. There is a real balance. I would not rely just on the saving gateway as the source of the savings.[41]

Since the appeal of credit unions is that they are seen as an alternative to high cost credit and all the problems which that can bring to borrowers on low incomes, it was unsurprising that one witness, Sian Williams of Toynbee Hall, should raise this link with SG:

> The other outcome that I was looking for was that, through this scheme [SG], low-income families would be significantly encouraged to save. For me, the crucial factor is not only building up a savings base, but providing an alternative to high-cost credit. We run the illegal money lending team for London. I see the damage from people having to access high-cost credit to live so as to compensate for some blip, which might be the loss of a job, the loss of casual earnings, a problem caused by the overpayment of benefits being clawed back, illness in the family, the cooker blowing up or anything. With even a small pot of money, a family could choose to go to that first, or could use that to take to a credit union to access low-cost, or lower-cost, credit rather than being forced to use high-cost credit. That, for me, had a significant potential to change the long-term flow of money within a family. That was really important to me. There is an asset base, there is education, but there is also giving people choices around where they get their money to pay for things today. They would have this little asset built up that they could use, because they could take money out of the saving gateway pot and put it back in. That was the great thing about it—the money was not locked in, the system was flexible.[42]

[40] Ibid c52
[41] Ibid c53-54
[42] PBC 4 November 2010 c 114-5

The Committee also took evidence from two charities – 4Children and the disability charity Scope. The Scope witness was very clear on the disadvantage to those he represented of the ending of the CTF:

> we have to keep it in mind that child trust funds, particularly for disabled children, work so well because there are no alternative savings products that work for families with disabled children, mainly because of the penalties that are inbuilt within the benefits system. That said, we have talked to many parents who have had officials question whether the child trust fund is an asset. They then see a reduction in their benefits, which is a bit worrying. I think that it is really essential that we have some form of asset-building mechanism that recognises the extra cost incurred by having a family with a disabled child. That is why the payments that came through the child trust fund were so important. The Government have said that they will redirect some of those payments to short break provision. Short break provision for families with disabled children is essential, but it is not mutually exclusive to building towards their future.
>
> One key anxiety of parents with disabled children is that when their children go through transition [from predominantly child based social services to adult based ones] — around age 14 to 24, depending on the child—they do not have any assets, and that tends to be when life becomes very expensive: when they move from much better children's service provision to adult care, particularly social care, and have to subsidise their own care. That is when that lump sum could be extremely useful, in tie-over. I am not saying that it should subsidise inadequate state provision, but it can bridge that gap. My concern is that if we do not continue to recognise the extra costs that families with disabled people incur and their difficulty finding appropriate asset-building mechanisms, those children will be the most disadvantaged, and when they come to 18, they will not have the extra money that they need to bridge the gap during transition.[43]

The 4Children witness spoke of the impact on children in care:

> Anyone who has gone near the care system knows that children who come out of it are some of the most vulnerable, in terms of the experience that they have had, and also in terms of the lack of assets with which to take themselves forward into the future. Additional payments for children in care were particularly welcome. That was a really important recognition, and one that we need to hold on to. There are children coming out of care who are still relatively in their infancy, if you like, and they are having to cope with budgeting, buying food, dealing with further education, and getting to work or training, too. Experience of dealing with those children shows that that is so much to take on. The fund would be an important asset for those families. It was important that it was there, and it is important that it is not lost.[44]

Although the SG was said to be no 'panacea' for the range of problems disabled people experience with mainstream financial services, one specific advantage of it was that:

> it was targeted at people who were on particular benefits. The national roll-out would have targeted many disabled people, particularly through the migration from incapacity benefit to jobseeker's allowance or employment and support allowance, in which they receive a reduction in their income. Therefore, at the same time, they could be building an asset to compensate for that reduction in income.[45]

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43 PBC Deb 2 November 2010 c58
44 Ibid c65
45 Ibid c71

Several witnesses were asked about the effectiveness, or otherwise, of the CTF as an anti poverty measure. Responses were mixed, largely because of a lack of actual evidence – no CTF account has yet matured. However, Tony Dolphin from the IPPR captured a general view when he said:

> Perhaps I could just add that, for those groups, it is not really about lifting them out of poverty so much as giving them an asset with which they can do something when they reach 18. It may be some extra education or training, or something as simple as being able to afford driving lessons, which will give them a better chance in the job market. Even the double amount of the child trust fund—£500 at birth, £500 at age seven—is not enough to lift them out of poverty, but it may be enough to give them an extra chance. Not every child will be inclined to take that extra chance, but some may, and that is the beauty of the policy.[46]

Health in Pregnancy Grant evidence sessions

Of the three written submissions received by the Committee, only one – from the Rev Paul Nicholson of the Zacchaeus 2000 Trust – concerned the HiPG.[47] The memorandum pointed out that out of work benefit rates for single women aged 18-24 (currently £51.85 a week) are only just above the Joseph Rowntree Foundation's estimated "minimum income food standard" of £44 a week, which takes into account nutritional requirements. It also noted that women reliant on unemployment benefits frequently ran out of money to pay for food and took on debts at high rates of interest, which in turn could lead to mental health problems. With these considerations in mind, and given the likely impact of Housing Benefit reforms and changes to the rules on the indexation of benefits, the memorandum argued that-

> It flies in the face of the evidence to abolish a £190 one off grant in the 25th week of pregnancy. It is not enough; more is needed to ensure women can buy a healthy diet before they conceive and in early pregnancy; but it is a move in the right direction.

The Committee also sought views on the provisions in the Bill via the Netmums website.[48] Most of those who commented were sceptical about the HiPG. Some felt that it was a waste of money since it was paid to all pregnant women, not just those in need. Others argued that even where it could make a difference, the Grant was unlikely to be spent on nutrition or health needs. However, a minority of posts were more positive about the payment, including some from women who had received a Grant and had found it helpful at a time when they faced financial pressures.

The HiPG was discussed in each of the Committee's four oral evidence sessions, but the main discussions were in the third sitting on 4 November, when the following witnesses gave evidence:

- Belinda Phipps, Chief Executive, National Childbirth Trust
- Katherine Rake, Chief Executive, Family and Parenting Institute
- Louise Silverton, Deputy General Secretary, Royal College of Midwives

All three emphasised the importance of early interventions during pregnancy, if the aim is to improve maternal health and outcomes for children. Belinda Phipps said:

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46 PBC Deb, 4 November 2010 c104
47 SA 01
48 Not to be confused with Mumsnet

> The grant is important because it puts money into pregnancy at a crucial time, so we support putting that money into pregnancy. Even late on, it can have beneficial effects. It depends what you think you are trying to do with it. If you are setting out primarily to improve the nutrition of the mother to improve the health of the baby, it needs to be earlier. If you are setting out to use it to support her education as a parent, it is okay where it is. But if you really want to change the future of the baby, it needs to be as early as possible. It is not possible easily to do it pre-conception, but the earlier in pregnancy you can do it, the better.[49]

Louise Silverton commented:

> If you think about the name of the health in pregnancy grant, were it to be tied in to women accessing antenatal care before the end of the 12th week of pregnancy, which is the time recommended by this Government and by the previous Government for women to access antenatal care, you would significantly improve outcomes. At that time, you would allow midwives to give advice on nutrition and healthy living.[50]

Witnesses also pointed out that early interventions during pregnancy, if successful in improving child development, could save the Exchequer significant sums in the long run by reducing the incidence of depression and mental health problems.[51] Katherine Rake said:

> The intervention process cannot start early enough, and all the evidence suggests that the earlier you start, the more longer-term return you have on that investment. Invest-to-save arguments are being made—indeed, Iain Duncan Smith appears to have made and won one such argument.[52]

There were suggestions that paying the Grant as a lump sum payment towards the end of pregnancy might not be the best way to support good nutrition, and that regular weekly payments along the lines of Child Benefit might be more effective. Belinda Phipps said:

> Because the grant is paid when it is, it is less likely to be used for food and more likely to be used for those one-off expenditures on things they need to buy...
>
> The link to child benefit is important because, if we had a magic wand, we would like to see the extension of child benefit back into pregnancy. If we were to start child benefit at 12 weeks or something like that, with a small sum being provided each week, that would have the maximum benefit—given the constraints on being able to get money to mothers—for the maximum number of women on their diet. That would be the way to do it. Another way would be to link the money to the Healthy Start programme, which is directed at poorer women. Whatever the case, it is important that that money remains in pregnancy.[53]

Louise Silverton commented:

> We are aware that you have to balance the bureaucracy of this. While it would be nice to be able to manage a weekly payment, that may not be possible simply because of the cost and logistics of setting it up.[54]

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49 PBC 4 November 2010 c79
50 PBC 4 November 2010 c80
51 PBC 4 November 2010 c88
52 PBC 4 November 2010 c92
53 PBC 4 November 2010 cc80-81
54 PBC 4 November 2010 c82

The witnesses were also asked about alternative approaches to targeting support on pregnant women most in need of help. As indicated above, Belinda Phipps suggested extending the Healthy Start scheme. The provision of nutrients direct to pregnant women was also suggested.[55] However, Katherine Rake said that this sidestepped the need to change behaviours:

> One of the things I would flag is that you risk missing a trick if you try to boil this down to base nutrients, because what we want is a change in long-term behaviour. It is not a question of a poor diet that should be supplemented by nutrients packaged for the individual. This should be seen as a time at which to nudge people into the right behaviour. That has all sorts of knock-on consequences for their own health, but we also know that good eating is catching and that it catches across generations.[56]

On the issue of targeted versus universal support, Katherine Rake pointed out that focusing on poorer families did not necessarily identify all those in need:

> You cannot necessarily predict, pre-pregnancy, who is going to end up in your at risk population. It is also sometimes hidden, because, in wealthier households, each partner does not necessarily have equal access to the income. Poor behaviour is not only a phenomenon of households in poverty—it stretches across the income bands and we need to recognise that. On appearance, targeting saves you money, but universality is incredibly cheap to administer and much loved by those who receive it, because the process from the recipient's end is so simple and you do not have that problem of non-take up. Those are my general points about what appears to be a very attractive proposal, but which is actually, in reality, much more complex and costlier than one might imagine.[57]

3.2 Scrutiny sessions

Savings accounts: clauses 1 and 2

All amendments to the CTF and SG parts of the Bill proposed during the scrutiny sessions were Opposition amendments. All were divided on: none were accepted.

The proposed amendments shared a similar theme, namely that the cessation of the schemes should either be delayed or that they should be left in a dormant state. The general argument was that since both the Labour and Conservatives had supported the CTF in principle (the Liberal Democrats supported the SG only) and abolition was for purely financial reasons, suspending 'execution' until the economy and public finances improved was more logical than immediate abolition. Reasons given for delay included:

- It allowed time for impact assessments of the effect of abolition on various groups to be considered.
- To permit further consultation with affected bodies, such as the devolved authorities.
- It sent a signal that savings schemes would resume and it would be easier to restart them when they were.
- In the case of the CTF, delay would allow time for a non-government contribution scheme – the junior ISA – to be put in place thus allowing continuity of the incentive to save.

[55] PBC 4 November 2010 cc89-90
[56] PBC 4 November 2010 c90
[57] PBC 4 November 2010 c86

In response, the Minister made the general points that:

- Impact assessments had been undertaken.
- Financial savings were needed as soon as possible.
- There would be administrative costs for HMRC associated with keeping 'dead' accounts.
- Accounts with no government contribution were not viable to the majority of financial providers.
- Clarity.

Child Trust Fund amendments

As mentioned above the main thrust of the 28 amendments tabled was to provide an array of delayed starting dates for the ending of CTF eligibility. The delay would be until 2014 – for "greater assessment of the economic situation" or 2016 – "after the final date for the next general election".[58] The main Opposition spokesman, **David Hanson**, was keen to stress that the amendments were a second best option for his party:

> My first comment to the Committee was that we oppose clause 1 of the Bill. I also said—as the hon. Gentleman will see if he wants to look at *Hansard* tomorrow—that I am pragmatic in these matters. I want to see something of the child trust fund salvaged from this train crash. I believe, as the evidence sessions have shown, that the fund is a valuable asset, helps develop assets for people at the age of 18—particularly the poorest in our community—and has been valued by those who have used it. It has also helped to develop a savings culture as a whole.[59]

He argued that there should be no gap between the end of the CTF and the commencement of its successor and, given that the Minister had announced that contributions to that could be backdated, he asked "why have that hiatus?"[60] Addressing the issue of the extra public finance costs that would result he said:

> There has to be an element of financing for the operation of the scheme. That is understood. That has to be the case. By my estimates—I may be a few hundred thousand pounds out either side—we are talking about a possible cost of around £31.5 million until October, plus the costs of maintaining the existing child trust fund. In deficit reduction terms, that is not a great deal of money. It would ensure that the hiatus did not happen and the Minister could introduce his scheme at the right time without damaging the child trust fund from 3 January. It would ensure that another 500,000 children had some contribution towards their child trust fund, and that many people, as mentioned by the hon. Member for Truro and Falmouth, could contribute to the fund over that period of time. I hope that the Minister will reflect on that.
>
> Amendment 1 states that we should leave out 3 January 2011 and insert 3 January 2014. Again, the Minister will know, because Government Members have indicated it, that the next general election will be in 2015. It is quite possible for him, therefore, to accept the amendment; to examine the continuance of the child trust fund with lower contributions of around £31 million or £32 million a year—£50 for each person; to

[58] PBC 4 November 2010 c129
[59] Ibid c139
[60] Ibid c133

encourage that savings culture over the next three years, and to consider how the economy develops in that period.

The Minister wants—and believes that they will—the general deficit reduction measures, employment measures and reductions in public spending to benefit the economy as a whole. We think that those measures might cause 500,000 jobs to be lost in the public and private sectors, but he presumably believes that the economy will get better because of the medicine that the Government are giving it over the next three years.

Why is the Minister punishing future generations of children by abolishing the scheme in that three-year period when he could allow a much lower contribution? The amendment gives him the opportunity to abolish the higher rate and would allow for a contribution rate over the next three years of £50 per child for the 70,000 children who are born each month. That would save a considerable amount of public resource, which is important, as the hon. Members for Congleton, for West Worcestershire, and for Devizes mentioned. He would save a considerable resource without abolishing the scheme. If, therefore, the economy picked up, he could either maintain the scheme beyond 2014, or consider returning to a higher rate of contribution to help alleviate poverty, and help asset-poor individuals at the age of 18. The scheme could be maintained for a three-year period.

I accept that the proposal involves a cost of £31.5 million to £32 million a year. However, over the three-year period, that might be £100 million or £120 million, rather than the £500 million that the Minister is considering saving.[61]

The Minister, **Mark Hoban**, pointed out that:

I just want to make progress on the concept of amendment 26 and putting off the end date for CTFs. The consequence of that is to continue the lower rate of contribution that we agreed in this place in July, in discussions with CTF providers. My hon. Friend the Member for Birmingham, Yardley touched on that. He commented on the return that people would get for opening a £50 account. I think he said something about 75p.

John Hemming: One and a half per cent.

Mr Hoban: Yes. Of course, CTF charges are capped. With a £50 contribution, it would not be economically viable for many providers to continue to offer CTFs. All three batches of amendments that the right hon. Gentleman tabled would make the accounts economically unviable for providers. I therefore think that we are taking a reasonable step.[62]

He described the other amendments as "Micawberish" and they suffered from the same problem as before, that CTF accounts without a government contribution were likely to be unviable to providers and impose administrative costs:

It is all very well to say that we should keep it going for a while but it means that we will have to force providers to open accounts that will not be economic. It means that we will have to keep the system going in HMRC. We have a much better alternative, which is cheaper for the taxpayer, and reflects some of the design features of the CTF that we approve of such as locking up savings until someone is 18 and allowing a range of people to contribute to that product. Those are important matters. It would cost probably about £2 million a year simply to keep the CTF ticking over. I can think of

61 Ibid c137
62 Ibid c147

> much better ways to spend £2 million in HMRC, such as trying to tackle tax evasion and things like that.[63]

There were three divisions. All the amendments were defeated 9-6.

Further Opposition amendments were proposed which would continue eligibility for CTF payments for three groups:

- Children in care;
- Children in receipt of Disability Living Allowance; and
- Children who live in the poorest third of households.

Mr Hanson emphasised the special circumstances of these groups, for example children in care had no parents to make contributions and the previous entitlement to £100 a year from the state was a reasonable contribution for the state to make in these cases. He said that an annual £100 payment would only cost approximately £1.5 million a year an amount that is not "considerable in the scheme of things but will make a real difference to looked–after children".[64]

Replying, the Minister repeated many of the points he made with respect to the previous set of amendments. In addition, he questioned whether, given limited public finance resources, the CTF was the best way to give such groups support. However, he did argue that the successor to the CTF, the junior ISA, would be an appropriate vehicle through which 'corporate parents' i.e. local authorities, could support children in care. Disabled children were a "relatively small group" and it would not be practical" to retain the CTF just for them. He pointed out that some of the savings from ending CTF were being recycled to provide additional "respite breaks".[65] He summarised the Government's response to the amendments:

> In conclusion, the Opposition's arguments do not take into account the practical problems attached to making the payments to these groups. Taxpayers' money would have to be spent on keeping the scheme alive and CTF providers are reluctant to continue on the current low payment levels. The money involved will be spent more wisely by investing in the pupil premium and by reducing the deficit, which will in turn reduce the interest costs that we pay. I believe that the measures in the Bill are practical answers to the problems that we face. I ask the right hon. Gentleman to reflect carefully on his commitment to spend taxpayers' money on unnecessary administration costs, and on whether there are better ways in which we might help these disadvantaged groups.[66]

Before putting the amendments to a vote Mr Hanson reminded the Committee that the main provider of CTF accounts, the Children's Mutual, had given evidence (Graeme McAusland) to the effect that they were prepared to keep such accounts open for the three special groups.

There were three divisions. All the amendments were defeated 10-7.

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[63] Ibid c149
[64] PBC 9 November c165
[65] Ibid c187-8
[66] Ibid c190

The next set of amendments proposed delaying the end of CTF eligibility until there had been

- a formal consultation with the devolved authorities; and
- until a formal equalities impact assessment had been completed by the Treasury

Lastly,

- that there should be a review of the ending of the scheme after 12 months by the Treasury.

A justification given for involving the devolved authorities was that whereas the Minister indicated that the pupil premium will provide some compensation for the loss of CTF in England, it will not be formally be available in the other countries. The Minister replied that increased education provision in England flows through automatically through the Barnett formula to increased provision elsewhere although not specifically via the pupil premium channel.

The Minister said that there had been consultations with the devolved authorities over the ending of CTF and that the current practice in Wales where the Authority makes payments to CTF funds of children living in Wales, could continue with payments into the succeeding junior ISA.

Mr Hanson accepted that the Treasury had done some work on the differential impact of the measures in the Bill but thought that its finding of risks under several headings as 'none identified' reflected lack of thoroughness on its part rather than the actual likelihood of the impact in reality. He quoted some of the testimony from witnesses representing charities (e.g. Scope) which indicated the impact ending the CTF might have on specific groups. He concluded:

> The impact assessment that has been done, welcome though it is, is not as thorough as a full impact assessment could be. Try as the Minister might, he will not convince me that the Bill will not increase inequality and unfairness, and do great damage to disabled people, looked-after children, women and black and ethnic minority populations. Therefore, I ask again that he consider the amendment. I do so, finally, because the amendment will not stop the Minister doing anything.[67]

The Minister rejected a call for a review of the impact of the ending of CTF after a year. For one reason, shared in part by Mr Hanson, that a year was probably too short a period to come up with any significant results. He pointed out that there had been very little call for impacts studies during the life of the CTF.

The amendments were defeated and clause 1 was approved.

Saving gateway amendments

The Opposition amendments affecting clause 2 – the Saving Gateway – were similar to some of those suggested with respect to the CTF. First, delay its cancellation and secondly, to not cancel it until the Treasury had completed an equality assessment of the clause's impact. Very similar arguments were put forward in support of the amendments:

> Growth may occur in the economy as a whole; there may be the creation of further jobs and successful economies. All sorts of things could happen—who knows? By

[67] Ibid c224

> accepting the amendment, the Minister could freeze the pilots with effect from today, maintain the Act on the statute book, and ensure that in three years' time he revisits the issue and looks at whether revocation of the legislation should progress.
>
> I would be interested to know whether there is any cost to keeping the Act on the statute book for three years. We would not be taking anything away or developing something that involved a major cost. All we would do is not progress from the pilots to a fully rolled-out scheme. The pilots have happened and they involved a cost. There is no cost in not progressing with the scheme at the moment. Nevertheless, the Minister seeks to abolish the saving gateway scheme and the relevant legislation as soon as the Bill receives Royal Assent. My question to the Minister is about the principle of the saving gateway scheme.[68]

And similar ones by the Minister rejecting them:

> Let me be clear at the outset. As I said on Second Reading, I support the aims that lie behind the saving gateway. The right hon. Gentleman quoted at length from my speech when the original debate took place and I do not back away from those words at all. Also, I recognise the attraction of matching as a means of encouraging savings. There is quite a lively debate in the pensions and savings world about that issue.
>
> However, we have also been absolutely clear that we will not launch a saving gateway scheme during this Parliament, and there are two principal reasons for that. The first is that the scheme would cost more than £300 million during the next five years and in the context of the deficit that we face, it is unavoidable that we have to cancel this scheme.
>
> The right hon. Gentleman talked about the gap between what was in the Budget document this year and what was in the previous Government's Budget document. I think that he will find that the cost of the saving gateway scheme was score-carded in an earlier Budget by the right hon. Member for Edinburgh South West (Mr Darling), the former Chancellor.
>
> I also have other concerns. The right hon. Gentleman touched on those when he talked about the comments of the former Chancellor, about who would offer these accounts, because clearly there was not going to be widespread and significant coverage. Adrian Coles, the director-general of the Building Societies Association, said in the evidence session:
>
> "No building society had committed to offer a savings gateway" Eric Leenders, the executive director at the British Bankers Association, said of the banks that "there were only a couple of providers who felt that it was suitably beneficial for them to provide the account". The Post Office said that it would do it only if there was going to be taxpayer subsidy to enable it to do so. I do not therefore think that that was a very satisfactory base on which to offer the savings gateway account.[69]

The advantage of deleting the measure from the statute book was "It provides absolute clarity... that the Government do not intend to pursue it".[70]

The debate on the second amendment (prior use of a full equalities impact assessment) covered a very wide range of subjects from the problems of different groups using financial services, to the availability of credit unions as access points for the SG and to trust in political

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68 David Hanson MP, Ibid c232

69 Mark Hoban MP,Ibid c238-9

70 Ibid c240

parties to do the right thing according to disadvantaged groups. According to the Minister, a model of delivery of the SG using credit unions would leave large sections of the population with no access to the scheme. Since the major financial institutions showed no enthusiasm for distributing the scheme, accessibility to the SG, or lack of it, was a deciding factor in the decision to end it. The Minister did acknowledge that, in a formal sense, the decision was discriminatory:

> In the initial assessment, we went through the impact on various groups, and we acknowledged that our decision not to launch the saving gateway could have a greater impact on people with disabilities. They are disproportionally affected, in the sense that two of the passported benefits relate to disability and incapacity benefit. The measures will affect people in particular age groups, which we bear in mind. However, the impact on women is not significant, as they only made up slightly more than half of the eligible population.[71]

The amendments were defeated 10 - 8 and 9 - 8. Clause 2 was agreed to.

Health in Pregnancy Grant: clause 3

Clause 3 – which removes entitlement to the Health in Pregnancy Grant (HiPG) for women reaching the 25th week of pregnancy on or after 1 January 2011 – was considered at the seventh and eighth sittings of the Public Bill Committee on 11 November 2010.

At the seventh sitting, a number of Opposition probing amendments were discussed which sought to address various criticisms of the HiPG. Five different sets of amendments were tabled, which:

- Provided for the Grant to be payable from the 12th week of pregnancy, rather than the 25th week;
- Changed the Grant from a single, lump sum payment to a benefit payable by monthly instalments;
- Changed the Grant to a benefit payable by monthly instalments, only payable to those who would become eligible for Child Benefit;
- Retained the Grant until January 2014, to enable its impact to be evaluated; and
- Provided for the Grant to be payable from the 12th week of pregnancy, and retained the Grant until January 2014.[72]

The amendment to pay the Grant from the 12th rather than the 25th week of pregnancy was intended to address criticisms that the payment came at too late a stage to have a significant impact on health. The Labour Treasury Spokesperson, **Kerry McCarthy**, said it was:

> ...important that we have a debate about whether we can pay the grant earlier rather than axing it altogether and saying that it is a bad thing. Nevertheless, I accept that the issue of when the grant should be paid is a very difficult and sensitive one, because there will be women who lose babies around that earlier time.[73]

Ms McCarthy had indicated that she was prepared to put the amendment on payment at the 12th week to the vote, but in the event did not do so.

[71] Ibid c264
[72] PBC 11 November 2010 cc271-272
[73] PBC 11 November 2010 cc282-283

The amendments to pay the Grant by way of monthly instalments were in response to evidence given to the Committee that smaller and more frequent payments might be more likely to be spent on food and nutrition.[74]

Linking the HiPG to eligibility for Child Benefit was presented as a way of targeting the benefit, in light of the Government's plans to claw back Child Benefit from households with a higher rate taxpayer. The Opposition did not endorse the Child Benefit plans, but was seeking to probe whether the Government would accept the Grant if it were "a more targeted form of benefit". Kerry McCarthy said that simply adding the HiPG to the Sure Start Maternity Grant would be an alternative way of "means-testing" it.[75]

Replying for the Government, the Financial Secretary to the Treasury, **Mark Hoban**, repeated the arguments against the HiPG:

> It is described as a health in pregnancy grant, but it is not linked entirely to health in pregnancy because it is paid too late. It is a lump-sum payment, and there is no requirement or stipulation on how it should be spent. Of course, the justification goes back to health, but there is no evidence about how that works. The right hon. Member for Delyn [David Hanson] asked why there was no full consultation on scrapping the grant. I gently point out to him that there was no consultation on its introduction either. If there had been some consultation or evidence gathered about its effectiveness, perhaps Opposition Members would have been better placed to defend it.[76]

Mr Hoban reiterated the Government's support for the Healthy Start scheme and the Sure Start Maternity Grant, which he argued were better targeted. He argued that there were better ways of spending the money than through the HiPG, and that delaying abolition to 2014 would reduce savings. Linking eligibility to Child Benefit would not be an effective way of targeting support since Child Benefit was to remain a universal benefit until January 2013. Paying the Grant earlier in pregnancy would reduce savings significantly, while continuing to pay it from the 25th week would mean that it was still "unfocused".[77]

The Minister also said that the Government was consulting on the extension of the Healthy Start scheme to cover frozen fruit and vegetables, to increase choice and flexibility for women.[78] He concluded:

> The Government have faced difficult choices on where to cut public expenditure. We cannot afford to continue spending £150 million a year on a cash payment for the health in pregnancy grant, which is paid regardless of what it is spent on and of the income or financial position of the recipient. I believe that we should go ahead with the abolition of the grant. I do not believe that we should maintain it or pay an equivalent amount in monthly instalments. It is not even clear how long that would go on for under amendments 50, 52 and 53. I do not believe that we should make it payable from the 12th week, as under amendments 46, 47, 48 and 49. Having decided that we need to abolish the health in pregnancy grant, the Government believe it is best to do so quickly to maximise the savings to the Exchequer.[79]

Ms McCarthy pressed to the vote the amendments changing the Grant from a lump sum payment to a regular monthly payment, paying the Grant in monthly instalments to those

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[74] PBC 11 November 2010 c282
[75] PBC 11 November 2010 cc282-283
[76] PBC 11 November 2010 cc284
[77] PBC 11 November 2010 cc286
[78] PBC 11 November 2010 cc287
[79] PBC 11 November 2010 cc288

eligible for Child Benefit, and retaining the Grant until 2014. In each case, the amendment was defeated by 10 votes to 7.[80]

The Labour backbencher and former Chief Executive of the Child Poverty Action Group, **Kate Green**, tabled an amendment providing that the HiPG could not be abolished until Parliament had approved a report on it. The report, which Ministers would be required to lay before Parliament no later than 30 June 2011, would examine the relationship between the Grant and poor levels of maternal nutrition (including an analysis of possible links to mental illness and educational underachievement), and the overall impact on the cost to the taxpayer.[81]

Speaking to the amendment, Ms Green said that it would:

- Give an opportunity to examine the available evidence on the connection between income, maternal well-being and long-term outcomes for children;

- Enable the Government to obtain more evidence about how women responded to receipt of the Grant;

- Allow researchers to talk to women about how the scheme had influenced their behaviour; and

- Give time to conduct a cost-benefit analysis taking into account potential long-term savings to the taxpayers resulting from improved child outcomes.[82]

For the Government, Mark Hoban said that "expensive and time-consuming research" was not needed to confirm that the Grant was not well targeted.[83]

Kate Green pressed the amendment to the vote, and it was defeated by 10 votes to 7.[84]

On division, Clause 3 was ordered to stand part of the Bill by 10 votes to 7.[85]

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[80] PBC 11 November 2010 cc299-301
[81] PBC 11 November 2010 c301
[82] PBC 11 November 2010 cc306-307
[83] PBC 11 November 2010 c308
[84] PBC 11 November 2010 c309
[85] PBC 11 November 2010 c310

Appendix: Members of the Public Bill Committee

Chairs
Mr Philip Hollobone
Mr George Howarth
Mr Gary Streeter

Members
Baldwin, Harriett *(West Worcestershire)* (Con)
Brown, Lyn *(West Ham)* (Lab)
Bruce, Fiona *(Congleton)* (Con)
Fovargue, Yvonne *(Makerfield)* (Lab)
Gilmore, Sheila *(Edinburgh East)* (Lab)
Goodwill, Mr Robert *(Scarborough and Whitby)* (Con)
Green, Kate *(Stretford and Urmston)* (Lab)
Hanson, Mr David *(Delyn)* (Lab)
Hemming, John *(Birmingham, Yardley)* (LD)
Hoban, Mr Mark *(Financial Secretary to the Treasury)*
McCarthy, Kerry *(Bristol East)* (Lab)
McGovern, Alison *(Wirral South)* (Lab)
Maynard, Paul *(Blackpool North and Cleveleys)* (Con)
Newton, Sarah *(Truro and Falmouth)* (Con)
Perry, Claire *(Devizes)* (Con)
Ritchie, Ms Margaret *(South Down)* (SDLP)
Sharma, Alok *(Reading West)* (Con)
Williams, Stephen *(Bristol West)* (LD)

Committee Clerks
Sarah Davies and Sarah Thatcher