



Child Poverty Unit

HM Government

IMPACT ASSESSMENT
FOR 'ENDING
CHILD POVERTY:
MAKING IT HAPPEN'

Summary: Intervention & Options

Department /Agency: Joint DCSF/DWP/HMT Child Poverty Unit	Title: Impact Assessment for 'Ending Child Poverty: Making it Happen'	
Stage: Consultation	Version: 1	Date: 21/01/09
Related Publications: 'Ending Child Poverty: Making it Happen', 'Ending Child Poverty: Everybody's Business'		

Available to view or download at:

<http://www.dcsf.gov.uk/consultations/index.cfm?action=consultationDetails&consultationId=1590&external=no&menu=1>

Contact for enquiries: childpoverty.consultation@childpovertyunit.gsi.gov.uk **Telephone:**

What is the problem under consideration? Why is government intervention necessary? The proposed legislation will enshrine the commitment to eradicate child poverty by 2020, and create a framework to drive and monitor progress. Poverty affects children's childhood experiences and adult outcomes and is associated with social and economic costs. Poverty today can cause poverty in the future, perpetuating a vicious cycle with escalating costs. Although free markets can deliver economic benefits, government action is necessary to address the distribution of these benefits and so maximise economic potential for the future.

What are the policy objectives and the intended effects? The Government is proposing putting its commitment to eradicate child poverty by 2020 in legislation. The proposed legislation will set targets for reducing child poverty by 2020 and a framework for the child poverty strategy. It will create an accountability framework to monitor and drive progress throughout the delivery chain, at the local, regional, devolved administration and national level.

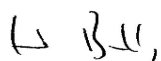
What policy options have been considered? Please justify any preferred option. The Government envisages that legislation will set the following targets to measure success: reducing the proportion of children in relative low income poverty to 5-10% by 2020; reducing the proportion of children in material deprivation combined with low income to a level approaching zero by 2020 and continued progress on persistent poverty. The Government welcomes views on whether the inclusion of absolute low income would provide additional value to the other targets. It is envisaged that the proposed legislation would require government to publish a child poverty strategy, to be refreshed every three years, evaluating progress towards the 2020 vision. In addition, it is envisaged that each local authority will be required to take responsibility for action to improve children's experiences in the short-term and develop strategies to end child poverty over the longer-term, and the document does not set out a preferred option on this.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? The Government proposes to report to Parliament on an annual basis setting out progress against income targets, as well as reporting on progress in implementing the strategy. This is an initial impact assessment. Government will ensure that the strategy is value for money by having cost and benefit assessments in the impact assessment for each respective policy.

Ministerial Sign-off For consultation stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options

Signed by the responsible Ministers:



Rt Hon Ed Balls MP, Rt Hon Yvette Cooper MP, Rt Hon James Purnell MP

Date: 28/01/09

Summary: Analysis & Evidence

Policy Option:	Description: Legislating against child poverty
-----------------------	---

COSTS	ANNUAL COSTS	Description and scale of key monetised costs by 'main affected groups' It is nearly impossible to quantify such costs at this stage of the process. The Government's intention is to use a wide range of interventions via public services and through the contribution of broader policy areas. These will tackle the causes of child poverty rather than treat the symptoms. They are a more cost effective and sustainable route than increasing tax credits and benefits, which is only one of a range of strategies that can be used to tackle child poverty, and which has been the basis of costings by the IFS.				
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">One-off</td> <td style="width: 10%; text-align: center;">Yrs</td> </tr> <tr> <td>£</td> <td></td> </tr> </table>		One-off	Yrs	£	
	One-off		Yrs			
	£					
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Average Annual Cost (excluding one-off)</td> </tr> <tr> <td>£</td> </tr> </table>	Average Annual Cost (excluding one-off)	£				
Average Annual Cost (excluding one-off)						
£						
Total Cost (PV)						

Other **key non-monetised costs** by 'main affected groups'

BENEFITS	ANNUAL BENEFITS	Description and scale of key monetised benefits by 'main affected groups'. It is nearly impossible to quantify the benefits of eradicating child poverty. Growing up in poverty can damage cognitive, social and emotional development which are all determinants of future outcomes. The Joseph Rowntree Foundation (October 2008) estimates that child poverty costs at least £25 billion a year in Britain, including £17 billion that could accrue to the Exchequer if child poverty were eradicated. However this is a possible under estimate of the true benefit.				
	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">One-off</td> <td style="width: 10%; text-align: center;">Yrs</td> </tr> <tr> <td>£</td> <td></td> </tr> </table>		One-off	Yrs	£	
	One-off		Yrs			
	£					
<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Average Annual Benefit (excluding one-off)</td> </tr> <tr> <td>£</td> </tr> </table>	Average Annual Benefit (excluding one-off)	£				
Average Annual Benefit (excluding one-off)						
£						
Total Benefit (PV)						

Other **key non-monetised benefits** by 'main affected groups'

The Joseph Rowntree Foundation tried to estimate the monetary cost of Child Poverty. There are other benefits associated with the eradication of child poverty such as equity, reducing hardship, deprivation and exclusion and breaking the intergenerational poverty link. The full benefits of eradication of child poverty are therefore higher than the estimated monetary benefits.

Key Assumptions/Sensitivities/Risks The legislation will not make specific spending decisions which are for future Budget, PBR and Spending Review processes to determine in the normal way.

Price Base	Time Period	Net Benefit Range (NPV)	NET BENEFIT (NPV Best estimate)
------------	-------------	--------------------------------	--

What is the geographic coverage of the policy/option?	UK								
On what date will the policy be implemented?	2010								
Which organisation(s) will enforce the policy?	DCSF, DWP, HMT								
What is the total annual cost of enforcement for these organisations?	£126, 000								
Does enforcement comply with Hampton principles?	Yes								
Will implementation go beyond minimum EU requirements?	N/A								
What is the value of the proposed offsetting measure per year?	£ N/A								
What is the value of changes in greenhouse gas emissions?	£ N/A								
Will the proposal have a significant impact on competition?	No								
Annual cost per organisation (excluding one-off)	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">Micro</td> <td style="width: 25%;">Small</td> <td style="width: 25%;">Medium</td> <td style="width: 25%;">Large</td> </tr> <tr> <td style="background-color: #ffffcc;"></td> <td style="background-color: #ffffcc;"></td> <td style="background-color: #ffffcc;"></td> <td style="background-color: #ffffcc;"></td> </tr> </table>	Micro	Small	Medium	Large				
Micro	Small	Medium	Large						
Are any of these organisations exempt?	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 25%;">N/A</td> <td style="width: 25%;">N/A</td> <td style="width: 25%;">N/A</td> <td style="width: 25%;">N/A</td> </tr> </table>	N/A	N/A	N/A	N/A				
N/A	N/A	N/A	N/A						

Impact on Admin Burdens Baseline		(Increase - Decrease)	
Increase of	£ N/A	Decrease	£ N/A
		Net Impact	£ N/A
Key:		Annual costs and benefits: Constant Prices	(Net) Present Value

Introduction and Policy Rationale

Introduction

1. The Government is proposing to enshrine in legislation the pledge to eradicate child poverty by 2020. The intention is that the proposed legislation will drive and monitor progress towards 2020 and set a comprehensive, holistic and robust framework for action. It aims to support everyone to play a full part in tackling child poverty against which progress will be measured across the UK.
2. The consultation document sets out the Government's vision towards 2020, and the key elements of the proposed legislation: targets against which success will be measured; a requirement to develop and regularly refresh a multi-faceted child poverty strategy; a requirement to report annually on progress made on the strategy; an expert commission that will feed into strategy development and consider specific questions as remitted by the Government; and responsibilities on local authorities and local public bodies to tackle child poverty. It invites stakeholders' views on a number of important questions.
3. The Government invites responses to the issues raised in the discussion paper by 11 March 2009. This is shorter than the usual time for consultation because of the parliamentary timetable, but builds on extensive previous consultations on the measurement of child poverty, and on the strategy to 2020. Lawyers have been consulted on this matter and it should not cause concern given the significant consultation that has already occurred with stakeholders such as Measuring Child Poverty in 2003, the Child Poverty Review 2004 and stakeholder conferences and workshops on 2020 that were held in 2008. Indeed, stakeholders have made it clear that it is preferable to have a shorter consultation period in the interest of getting a child poverty bill passed by this year.
4. This is an initial impact assessment of the proposal and the possible implications. This legislation is necessary because poverty affects children's childhood experiences and adult outcomes and is associated with substantial social and economic costs. Poverty today can also cause poverty in the future and so perpetuating a vicious cycle with escalating costs¹. In order to achieve eradication of child poverty, the proposed legislation aims to build consensus and force policy to take a long-term view focussing on the barriers that cause poverty.
5. There are currently 2.9 million children living in relative poverty in the UK, and 2.0 million children living in low income and material deprivation. Growing up in poverty can damage a child's cognitive, social and emotional development which are all determinants of future outcomes. While some children who grow up in low-income households will go on to achieve their full potential, many others will not. Tackling child poverty will improve the childhood experiences of many children, who will then experience greater opportunities and social inclusion. As a result, these children should have better outcomes, particularly health and educational attainment, in childhood and beyond. Experiencing poverty in childhood affects children's outcomes as adults, and these, in turn, affect their children, thus creating cycles of deprivation. Breaking this intergenerational cycle of poverty should therefore have huge benefits for future generations.
6. Child poverty has costs for the wider economy. Child poverty can be seen to limit the potential of communities, and the UK as a whole. Low educational achievement and poor health reduce productivity, which in turn reduces economic growth and the ability of the UK to compete in the global economy. Increases in education and skills can help to generate new innovations, technologies and ideas. These effects should lead to the increased productive potential of the

¹ The case for tackling child poverty is set out in more detail in 'Ending Child Poverty: Everybody's Business' HM Government, March 2008.

economy and help firms in the UK. This should, in turn, reduce the burdens on public services. Tackling child poverty will bring wider benefits to society, as income is associated with lower crime and increased community cohesion and social capital.

7. Although free markets can deliver economic benefits, government action is necessary to address the distribution of these benefits and maximise economic potential for the future. For example market failures such as imperfect information and access to resources may lead to individuals making lower investment in their education, resulting in lower earnings for those individuals and a lower productive potential for the whole economy.

What is the current policy?

8. The Government currently has a commitment to eradicate child poverty, first stated in 1999. This has been embodied in Public Service Agreement targets. The 'Child Poverty Review'² sets out a comprehensive strategy for tackling child poverty based around the principles of work for those who can and financial support for those who cannot; tackling material deprivation; and improving life chances of children. An up to date and comprehensive account of the policy initiatives introduced to tackle child poverty can be found in 'Ending Child Poverty: Everybody's Business'³, which was published in 2008.
9. Progress on child poverty in the UK is currently measured using three indicators: relative low income; absolute low income; and combined low income and material deprivation. Significant progress has been made on each of these indicators. As a result of policies and investment across the UK, between 1998-99 and 2006-07, some 600,000 children have been lifted out of relative poverty and the number of children living in absolute poverty has halved from 3.4 million children to 1.7 million children. Between 2004-05 and 2006-07, the number of children living in combined low income and material deprivation has fallen by 200,000. All families have benefited from increases in support since 1997; households with children are on average £2,100 better off in 2009-10 and families with children in the poorest fifth of the population are £4,400 better off as a result of personal tax and benefit changes. Indeed, had there been no changes to tax and benefits since 1997, there would be 2 million more children growing up in poverty today. Since Budget 2007 further measures have been introduced that will lift about 500,000 children out of poverty. However, with still 2.9 million children currently in relative low income poverty, and with those remaining being harder to reach, there is much more that needs to be achieved to eradicate child poverty by 2020.

What is the change in policy?

10. The Government is proposing to legislate to meet the commitment to eradicate child poverty. The Government envisages that legislation will set out how the Government will measure success and create an accountability framework to drive progress throughout the delivery chain, at the local, regional, devolved administration and national level.
11. The Government envisages that legislation will set the following targets to measure success: reducing the proportion of children in relative low income poverty to 5-10% by 2020; reducing the proportion of children in material deprivation combined with low income to a level approaching zero by 2020 and continued progress on persistent poverty. The Government welcomes views on whether the inclusion of absolute low income would provide additional value to the other targets. The proposed legislation will set a requirement to report on these targets, and progress against the wider strategy.
12. It is envisaged that the proposed legislation would require government to publish a child poverty strategy, to be refreshed every three years, evaluating progress towards the 2020 vision and setting out milestones for future action across a range of policy areas. The Government intends to establish an expert commission, bringing leaders in the field together, to provide advice to the Government to inform the child poverty strategy and consider technical matters as remitted by

²Child Poverty Review, HM Treasury, July 2004

³'Ending Child Poverty: Everybody's Business', HM Treasury, DWP, DCSF, March 2008

Government. The Government also envisages that the proposed legislation will include a duty for the Government to report annually to Parliament outlining progress on the targets, implementation and impact of the strategy and progress on the outcomes of poor children and their families.

13. It is envisaged that each local authority will be required to take responsibility for action to improve children's experiences in the short-term and develop strategies to end child poverty over the longer-term. Local service providers, who are closest to their communities, know the barriers to progress. They can play a major role in narrowing the gaps in outcomes between children from low income families and their peers, and breaking inter-generational cycles of deprivation. Local authorities have a role beyond that of service provider. They are strategic leaders for their areas, responsible, with key partners, for developing their local economies and regenerating their local communities. It is vital that their Child Poverty strategy is clearly connected to these broader corporate objectives. The consultation document is asking for views on the local area options as set out in chapter 4 of the document. The impact assessment will be developed as ideas on these options are developed.

Reason for the change in policy

14. Progress has been made using a wide range of policy initiatives to reduce child poverty. However we have no legislation in place that will continue to hold the Government to account, driving progress and delivering outcomes. Legislation will help forge consensus and bring focus to the long-term policies required to meet the challenging target of eradicating child poverty by 2020.

Costs and benefits of establishing targets and the strategy as set out in Chapter 3:

15. The costs directly associated with legislation result from the requirement for greater focus of reporting on child poverty across government departments and local public bodies. The costs and benefits of meeting the requirements of the legislation will be of a significantly larger magnitude than the costs due to reporting. The estimated costs and benefits of achieving the eradication of child poverty are estimated below but the estimates are heavily reliant on the assumptions used and do not include a quantification of the benefits of improved equality of opportunity.
16. It should be noted that these are guide values as to the quantified costs and benefits associated with the eradication of child poverty in this impact assessment. It is impossible to get an exact estimate of the costs and benefits of eradicating child poverty at this stage especially as the proposed legislation does not make specific spending decisions and the strategy for how eradication is to be achieved is not yet set out. In addition it is very hard to break down the causes and consequences of child poverty. Therefore as particular spending decisions and policies are developed following from this legislation, there will be additional impact assessments setting out the costs and benefits for the specific policy.
17. The proposed legislation will include specific targets that will define success in the eradication of child poverty. It will set targets on relative low income, absolute low income and the combined material deprivation and low income indicators. There will also be a target on the progress made on the number of children living in persistent poverty as soon as reasonably practicable. The collection of data on these indicators is already established and so there should be no extra cost associated with measuring progress. However there may be minimal costs to establishing an accountability framework. The costs and benefits associated with the policies and actions that may be needed to meet these targets are set out in this section.
18. The causes of child poverty are multiple and complex tackling them requires a sustainable strategy, improving children's life chances and preventing poverty from occurring in the future. The proposed legislation will drive action at the local, regional, devolved administration and national level, across a range of policy areas, which will all contribute to the overarching goal of ending child poverty. The proposed legislation is likely to identify key policy areas, or 'building

blocks', for strategic policy development, in addition to the income targets. The building blocks suggested by the consultation document are education, health, family support, housing, neighbourhoods, financial support, employment and adult skills. The costs associated with the building blocks are the development of the strategy to identify action in each of these areas and the implementation of policies to deliver against the strategy. As policies are developed specific impact assessments will be undertaken.

19. The legislation will not make specific spending decisions which are for future Budget, PBR and Spending Review processes to determine in the normal way. There will be costs involved in tackling child poverty, but there will also be significant benefits as the burdens on public services decrease, and the economy benefits from increases in skills and productivity.
20. As set out in *Ending child poverty: everybody's business*, children who grow up in poverty can lack opportunities and suffer hardship, deprivation and exclusion. These negative experiences can lead to worse outcomes, particularly, health and educational attainment, both in childhood and beyond, for example:
 - Children who experience poverty in childhood can still experience poorer health outcomes as a result of growing up in poverty. These childhood experiences can continue into adulthood and affect adult outcomes. For example, children with low birth-weight tend to have a lower IQ, impairing performance in school and job opportunities as an adult.
 - Overall crime levels have fallen since 1997 but children living in deprived areas are still more likely to be exposed to crime than the national average: in 2006-07, in deprived areas, the proportion of adults experiencing crime was 29 per cent compared to 20 per cent in the least deprived areas⁴.
21. Child poverty clearly has significant costs on individuals, society and the exchequer, although these costs are difficult to quantify due to the complexities and multiple factors at play. The outcomes of poverty today can also be the causes of poverty tomorrow, thus perpetuating a vicious cycle of poverty. The costs of child poverty will therefore escalate if child poverty is not eradicated. Although it is difficult to estimate the benefits, The Joseph Rowntree Foundation (October 2008)⁵ have suggested that child poverty costs the country at least £25 billion a year, including £17 billion that could accrue to the Exchequer if child poverty were eradicated.
22. Barnardo's⁶ has estimated some of the costs of child poverty and the possible savings associated with the eradication of child poverty. They look at the possible costs of caring for an individual child living in poverty including the costs of pupil referral units, continuing exclusion in a pupil referral unit, Local Authority care, offending costs, NHS treatment, social services, drop-in attendance at a family centre and anger management. Barnardo's then compare these costs to the cost of tackling the problem and the causes at an earlier stage including the cost of support for the alcoholic father, parental support and education, drop-in at a family centre and educational support in school for one year. The estimated costs by Barnardo's of tackling the problem and helping and supporting the family from a much earlier stage are around ten times less than trying to look after the child already living in poverty. This is just an illustration of the magnitudes of savings which might be possible if more is done to stop children living in poverty.
23. The problems associated with calculating the benefits of tackling child poverty, also apply to calculating the costs of tackling child poverty. As set out above, the causes of child poverty are multiple and complex, in recognition of this the Government's strategy to tackle child poverty is also broad ranging, aiming to eradicate all the causes of child poverty now and in the future.
24. This requires making progress against all of the building blocks outlined in the consultation document, to tackle the causes of child poverty rather than treat the symptoms. There may be a more cost effective and sustainable route than simply increasing tax credits and benefits which has been the basis of costings by the Institute for Fiscal Studies (IFS). The IFS (July 2006) have

⁴ Child Poverty Review, HM Treasury, July 2004

⁵ Joseph Rowntree Foundation, 'Estimating the costs of child poverty' October 2008

⁶ 'Counting the cost of child poverty', M. Hughes, A. Downie and N. Sharma, Barnardo's, 2000

estimated that reducing the proportion of children in relative poverty through tax credits and benefits would cost around £30bn a year. However increases in employment, for example, might significantly lower such estimates⁷.

<i>Economic Costs</i>	<i>Economic Benefits</i>	<i>Fiscal Benefits/Costs</i>	<i>Wider Social Benefits</i>
<p>Possible disincentives to work if the tax credit and benefits system becomes too generous without requiring more from claimants.</p>	<p>Increased productive potential of the economy due to a more productive population.</p> <p>Reducing poor outcomes should reduce the costs of public services.</p> <p>The Joseph Rowntree Foundation (October 2008) estimates that child poverty costs £25 billion each year in costs to the Exchequer and reduced GDP.</p>	<p>The proposed legislation does not make specific spending decisions which are for future Budget, PBR and Spending Review processes to determine in the normal way.</p> <p>As the legislation develops there will be further analysis of the likely policies developing as a result. Given the scale and ambition of these targets, exactly how they will be achieved will be subject to overall affordability and fiscal constraints</p> <p>The Institute for Fiscal Studies (July 2006) estimates that reducing the proportion of children in relative poverty to around 5 per cent would cost around £30 billion a year. However, this assumes that the reduction in child poverty results from increasing tax credits and benefits only.</p>	<p>Improved children's outcomes will benefit those children and society as a whole⁸.</p> <p>These measures should increase the incomes of low income families and so there should be a social welfare gain to this measure.</p> <p>Breaking the intergenerational cycle of poverty will have positive externalities into the future.</p> <p>Increased equality of opportunity is desirable.</p>

Reporting Costs as set out in Chapter 3:

25. Legislating the commitment to any single or any combination of the four income measures of child poverty will not involve any additional reporting costs as these are already or are already planned to be monitored annually and are very likely to continue to be monitored without legislation.
26. Legislation should focus minds on what a 2020 vision will look like and the 'building blocks' are informing this thinking. There may be a need for new data that focuses on the links to child poverty in these areas but the intention is that this might replace current data rather than duplicate or add to the current reporting burden. Therefore any increase in reporting costs in this area will be negligible. Where needed it will help allocate funding more efficiently and effectively. Future impact assessments will be provided on policy options and possible changes to

⁷ Brewer, Brown and Sutherland, 'Micro-simulating child poverty in 2010 and 2020', The Institute for Fiscal Studies, July 2006

⁸ Estimating the Cost of being "Not in Education, Employment or Training" at Age 16-18, Department for Education and Skills Research Report RR346, June 2004

indicators of poverty that result from this legislation.

27. It is envisaged that the proposed triennial strategy and annual reports on child poverty will largely use current performance mechanisms where appropriate. The change will be an additional focus on child poverty and this only should involve a change in focus and approach.

The Costs of a Commission as set out in Chapter 3:

28. To ensure that the strategy is ambitious and achievable the Government intends to establish an expert commission, bringing leaders in the field together, to provide advice to the Government to inform the child poverty strategy. Among other things the commission will be asked to consider barriers to achieving the Government's vision and analyse areas of best practice across the UK. The Government will also remit technical matters to the expert commission for consideration, for example the commission will be asked to consider the technical aspects of the persistent poverty indicator.
29. The estimated costs involved in the expert commission are approximately £20,000 per annum. This is based on a commission of twelve to fourteen people meeting around four times a year, the costs of their travel and the costs of a room. This would not include costs for commissioning research, which would dramatically increase these costs. The commission would be supported by the government and there are costs within government of supporting them. This secretariat will consist of a Policy Grade 7 and one Executive Officer whose combined cost (including pension contributions, building costs and other non wage costs) is £106,000, based on DCSF pay at 2010 prices.

Child Poverty at the Local Level - Options as set out in Chapter 4:

30. The Government has identified three options below. These options are not mutually exclusive or exhaustive, and the Government would welcome views on them, and on what other proposals should be considered.
31. In this analysis there are costs and benefits to which there are not exact quantified values. The aim of the policy options as set out below is to involve no additional administrative burden for Local Authorities and local public bodies. However, in some instances there may be a small increase in administrative burdens for some local bodies and the aim is to consult on how best to design the policy to ensure no unwarranted increase in cost occurs. Giving specific monetised costs and benefits for these options has proven to be very difficult because they will vary across local public bodies and local authorities, depending on how focused they are already on child poverty and how they react to the guidance. However, more analysis will be performed on the costs and benefits to local public bodies of these changes as the proposed legislation develops and becomes more concrete. This will be reported in the next impact assessment.
32. **Option 1 – Introducing a duty on local authorities to promote action to tackle child poverty.** This would help ensure that child poverty is a priority for all local authorities, and that they take the lead on action to address the issue. Local authorities could, for example, be required to:
- assess the local child poverty situation;
 - create and implement a child poverty strategy, in consultation with local partners; and/or
 - review and evaluate local action and progress in tackling child poverty.

33. Estimated Impact of Policy Option

- This proposes local authorities assess their local child poverty situation. The assessment may well become part of their economic assessment, meaning local authorities will simply need to consider existing data as part of a process that already occurs, meaning costs will be minimal,

but will need to be quantified as the ideas as to what this assessment will involve. However, the data is readily available to local authorities from both DWP and the ONS.

- b) The requirement to come up with a strategy for child poverty should be of minimal additional cost because local authorities are already required to produce a 'Sustainable Community Strategy' which sets out how they are to tackle the needs of their area and promote wellbeing. This option requires local authorities to prioritise child poverty by refocusing their processes and making it obligatory to reference it in the Sustainable Community Strategy and in their Children and Young People's Plan. This should not require any additional resource as these documents are already being produced. This would be a requirement for local authorities to refocus their priorities using resources already available. It should also be noted that many local authorities are already doing what this option mandates.
- c) Local authorities are required to report on progress in improving children's wellbeing as part of their statutory Children and Young People's Plan, and the best may already reflect some high level information about child poverty in this report. Local authorities have all the information required for a report on child poverty in the national indicator set. Local authorities therefore need to use existing data and processes and ensure that they publish all the information in documents that they are already required to publish.

34. Option 2 – Introducing a duty on all local public bodies to have regard to child poverty when exercising their functions. This duty would require all local partners to understand their role in tackling child poverty, and take this into account in planning and in carrying out their mainstream activities.

35. *Estimated Impact of Policy Option*

The local public bodies may not have the information, understanding and processes required to assess the impact of their actions on child poverty and act accordingly. Therefore there may be some costs in building this capacity. Statutory guidance will be used to provide assistance to local public bodies and will set out the action they must take to meet this duty. The Government will provide this guidance.

36. Option 3 - requiring all local authorities to set a specific local child poverty target. This option could involve either:

- a) requiring local authorities in England to set child poverty target focused on the percentage children living in low income families⁹. Whilst this option would focus on family income the delivery of the target should incorporate a range of action to tackle the causes and consequences of child poverty.
or:
- b) requiring local authorities in England to set at least one target, selected from a 'basket of indicators' related to outcomes associated with child poverty. This option reflects the broad range of factors that contribute to poverty, and would ensure each local authority has a target on an outcome associated with child poverty focus while maintaining more local flexibility.

37. *Estimated Impact of Policy Option*

- **If this option were implemented using the Local Area Agreement process:**

- a) It is envisaged that this option would take effect as part of the negotiation of the next round of Local Area Agreements. It is not proposed that local authorities should be required to set an increased number of Local Area Agreement targets. One of the existing 35 Local Area Agreement targets would be a child poverty target. Through this negotiation and target setting process local authorities will be required to demonstrate how their resources are used to tackle child poverty. We do not envisage that this is an additional burden as this uses the current reporting mechanisms and refocuses their available resources.

⁹The current local level measure of child poverty (NI 116) is the proportion of children living in families dependent on out of work benefits. This indicator will be revised to combine children living in low income working families and workless families.

b) It is envisaged that there will be some changes made to the national indicator set to reflect an increased focus on child poverty. This has already been set in train from PBR 2008. Option 3 will therefore only change the focus of local authorities and not add additional reporting burden.

• **If this option were implemented outside the Local Area Agreement process:**

- a) The process of setting and monitoring the target would be similar to the process used in setting and monitoring Local Area Agreements. However, administering this in addition to the 35 indicators chosen through the Local Area Agreement process will involve additional costs for local authorities and central Government. Options a) and b) involve the additional monitoring of one more indicator. The additional costs could involve: the local authority analysis of the local child poverty situation; negotiation with central Government and local Government on the target level (this will involve additional cost for both local and central government); and ongoing monitoring of performance on the target.
- b) The cost of administration for this option will be similar to that of option a). The difference will be that the cost will vary from local authority to local authority depending on which particular target they choose.

It should be noted that 45 local authorities already include the income measure of child poverty, as in option a), as part of their Local Area Agreements. Government is consulting on how best to design policy to incentivise both local authorities and local public bodies whilst also limiting administrative burdens.

Limits to the Analysis in this Impact Assessment

38. This impact assessment contains a high-level discussion of the effects of legislating to provide a framework to tackle child poverty. This impact assessment will be built upon responses from the consultation document once obtained, and when decisions for the precise content of legislation are made. In addition stakeholders will be consulted to help build up the accuracy of the costs and benefits to local public bodies. More specific impact assessments will be undertaken as the continued development of the child poverty strategy identifies specific policies across the building blocks identified in the consultation document.

Competition Assessment

Ending child poverty would help children to achieve their full potential and increase fulfilment of potential in communities and the UK as a whole. Having a more productive population will raise the productive potential of the economy.

Small Firms Impact Assessment

Not applicable

Legal Aid

Not applicable

Sustainable Development

Meeting the Governments commitment to eradicate child poverty would ensure progress against the following principles of sustainable development:

- ensuring a strong, healthy and just society
- achieving a sustainable economy

Carbon Assessment and Other Environmental Impacts

Increased income tends to lead to increased consumption and so increased carbon emissions. However, increases in education and skills can help to generate new innovations, technologies and ideas and so this policy may lead to greater access to low-carbon technology and services.

Health Impact Assessment

Poverty affects children's experiences: children who grow up in poverty can lack opportunities and suffer hardship, deprivation and exclusion. These negative experiences can lead to worse outcomes, including health, both in childhood and beyond.

Therefore reducing child poverty, whilst also improving health inequality should have a positive impact on child and adult health outcomes.

Race Equality

Although there are more white people living in relative low income poverty in the UK (this group of children makes up 78 per cent of the total), a greater proportion of those in ethnic minority groups are living in poverty.

Children in white families have a 20 per cent risk of living in poverty compared to an average of 22 per cent for 2006/07. Broken down further: mixed race children have a 25 per cent risk of living in poverty; Asian or Asian British have a 42 per cent chance of living in poverty; black or black British have a 31 per cent chance and Chinese or other ethnic groups have a 33 per cent chance of living in poverty.

Therefore any attempt to eradicate child poverty is likely to have a more than proportionate positive impact on ethnic minority groups, with those in the Asian or Asian British categories likely to benefit the most¹⁰.

¹⁰ Source Household Below Average Incomes 2006/07 data for those living on less than 60% of median income, before

Disability Equality

We are committed to delivering equality for disabled people by 2025. There is a greater risk of child poverty in families with a disabled member and so tackling child poverty is likely to have a more than proportionate positive impact on disabled people and their families.

Children living in a household with one or more disabled adult or child are at a 31 per cent risk of living in relative low income poverty compared to the average for the UK of 22 per cent risk. The risk rises to 33 per cent if there is one or more disabled adult but no disabled child and those living in families where there is one or more disabled child but no disabled adult are at a 25 per cent risk of living in child poverty¹¹.

Gender Equality

Women are likely to benefit more than men on average as a result of tackling child poverty. 16 per cent of male resident parents are in households below 60 per cent of median incomes while 20 per cent of female parents are in households below 60 per cent of median incomes. This gender difference is driven by lone parent families, which are very often headed by a female and have a higher poverty rate.

In any analysis of gender, it must be remembered that Households Below Average Income attempts to measure the living standards of an individual as determined by household income. This assumes that both partners in a couple benefit equally from the household's income, and will therefore appear at the same position in the income distribution. Any differences in figures can only be driven by gender differences for single adults, which will themselves be diluted by the figures for couples.

Research¹² has suggested that, particularly in low-income households, the above assumption with regard to income sharing is not always valid as men sometimes benefit at the expense of women from shared household income. This means that it is possible that Households Below Average Income results broken down by gender could understate differences between the two groups.

There is not a significant difference for children of each gender as 22 per cent of both male and female children are in households below 60 per cent of median incomes¹³.

Human Rights

On first examination the bill may engage Article 14 (linked to Article 6 or Article 1 Protocol 1) of the European Convention on Human Rights because its object is to promote public authorities giving more favourable treatment to a group delineated by reference to age. Furthermore, as identified above, there may be differential treatment in terms of gender and race. However we consider that any discrimination is justified and proportionate because it fulfils a legitimate aim: the Government's limited resources can be most efficiently employed by targeting the reduction of poverty in children. This will affect both parents and children, and will have a long lasting impact on society, the economy and individuals, through the increased wellbeing of future generations.

Rural Proofing

Not applicable

housing costs.

¹¹ Source Household Below Average Incomes 2006/07 data for those living on less than 60% of median income, before housing costs.

¹² Goode, J., Callender, C. and Lister, R. (1998) *Purse or Wallet? Gender Inequalities and the Distribution of Income in Families on Benefits*. JRF/Policy Studies Institute

¹³ Source Household Below Average Incomes 2006/07 data for those living on less than 60% of median income, before housing costs.