PART 6

NTI

Confidential Filing

Uprating of Social Security Benefits

SOCIAL SERVICES

Part 1: May 1979
Part 6: June 1990

Unattached folder: "Children Come First"

PREM 19/3170

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
~~8.6.90~~							
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~~19.7.90~~							
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PART 7 begins:-

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DEPARTMENT OF SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 071-210 3000
From the Secretary of State for Social Security

cc PM
NS PM
CUS

POLICY IN CONFIDENCE

The Rt Hon Sir Geoffrey Howe QC MP
Lord President of the Council
Privy Council Office
Whitehall
London
SW1

30 October 1990

Dear Geoffrey.

DSS LEGISLATION 1990-91: CHILD MAINTENANCE

Thank you for your letter of ~~23~~ Aug October.

2. We are all, of course, fully committed to the objective of ensuring that the Bill contains, on introduction, clauses covering all the main aspects of our reforms, and I think there may be an element of misunderstanding between us over the extent to which a Bill introduced in the New Year risks being incomplete.

3. Lawyers here have completed a draft of instructions to Counsel so far as they are able - final drafts for urgent comments from other Departments were circulated on 26 October - on most of the key areas to do with the system for assessing child maintenance, the formula, the making of estimated assessments, and the making of deductions from benefit; the collection and enforcement of maintenance payments; the staffing, structure and powers of the Child Support Agency, including its powers of access to necessary information; the appointment and functions of officers of the Child Support Agency; the obligation to claim maintenance which we shall be imposing on benefit recipients; and the availability of the Child Support Agency's services to those not on benefit. They have also been working on the nature of the liability which we seek to create on all parents to maintain their children. I know that James Mackay's officials are anxious that we should be fully aware of the impact of our proposals on existing family law for which a number of Departments are responsible. I recognise their concern, and understand that my officials have just received a paper from James' which set out the issues and will be a useful basis for their early resolution.

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4. Officials here have also taken work as far as they can on the interface between the Child Support Agency and the courts - I know that James Mackay's officials have been working with mine to identify ways of resolving several issues which previously appeared difficult. On the appeals structure, we are all agreed on the status of the initial assessment and of an initial review within the Child Support Agency; arguments about the destination of appeals beyond that are finely balanced, and we are not yet completely of one mind. My officials have agreed with James', however, that it will be perfectly in order for this matter to be covered by regulation-making powers in the primary legislation; and we shall, of course, be continuing urgent efforts to resolve the substantive issue. We are clear that it should be resolved at the latest in time for the introduction of the Bill.

5. I am conscious that the fact that we have been preparing these instructions simultaneously with working on the White Paper means that there must be a possibility that some of their contents will not be absolutely final, particularly on detailed technical matters. But the major policy is clear, and the measure of agreement between James and me - as evinced in my reply of 19 October (which I hope you have now seen) to his letter of 18 October - makes me confident that we are well on course.

6. In view of all this, I do not believe that a meeting of the three of us would serve any particularly useful purposes at this stage. If the work being done by our officials identifies specific issues which we need to resolve, then I shall, of course, be happy to discuss again.

7. I am copying this to the Prime Minister, to James Mackay and to Sir Robin Butler.

Yours ever,
Tony

TONY NEWTON

SOCIAL SERVICES: Upravna PTG

DEPARTMENT OF SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 071-210 3000
From the Secretary of State for Social Security

cc PJ (letterally)

Prime Minister²

You may like to glance at the White Paper in its final form.

CAS 29/10

Caroline Slocock
Private Secretary
10 Downing Street
London
SW1A 2AA

29 October 1990

Dear Caroline,

MT

**"CHILDREN COME FIRST:
THE GOVERNMENT'S PROPOSALS ON MAINTENANCE FOR CHILDREN"**

I am enclosing a copy of the White Paper which the Lord Chancellor, my Secretary of State, the Secretaries of State for Scotland and Northern Ireland and the Lord Advocate are laying before Parliament today. The White Paper contains the Government's proposals for a new system for the maintenance of children and invites comments by 14 December.

I enclose also a copy of the Statement which my Secretary of State is making to the House of Commons this afternoon. The Lord Chancellor is making a similar one in the House of Lords.

I am copying this letter to the Private Secretaries to all members of Cabinet, to Murdo MacLean and to Sonia Phippard.

Yours

Debbie Heigh

DEBBIE HEIGH
Private Secretary

STATEMENT ON CHILD MAINTENANCE

With permission, Mr Speaker, I should like to make a statement about the Government's proposals for a new system for securing the maintenance of children, on which a White Paper entitled "Children Come First" is being published today. Copies have been placed in the Vote Office.

I should emphasise at the outset that, while it has seemed appropriate for me as Social Security Secretary to make this statement, the purpose and context of these proposals extend well beyond my Department. The White Paper is presented jointly by myself, my Noble and Learned Friend the Lord Chancellor, my Rt Hon and Learned Friend the Secretary of State for Scotland, my Rt Hon Friend the Secretary of State for Northern Ireland and my Noble and Learned Friend the Lord Advocate; and my Noble and Learned Friend the Lord Chancellor is also making a statement today in another place.

Governments cannot of course ensure that all children always live with both their parents. But it can and should seek to ensure that, whatever the underlying circumstances, the welfare of the children is the prime consideration. An effective system for securing their financial maintenance is an important element in achieving that objective.

The present arrangements are, by common consent, deficient. As the various surveys and background papers published with this White Paper clearly show, they are fragmented, inconsistent, and too often subject to uncertainty and delay. They lack systematic provision for review and up-dating as circumstances change. Even where a maintenance obligation has been clearly established, it can be difficult to enforce and the caring parent may face great additional difficulties and pressures in protecting the children's rights.

The result is that only 30 per cent of lone mothers and 3 per cent of lone fathers currently receive maintenance for their children regularly, and that some two thirds of lone parents and their children now depend wholly or partly on Income Support. Such a position is in the interests of neither the parents nor, above all, the children. And of course it places a large burden on those who pay tax, many of whom are themselves bringing up children on perhaps quite modest incomes. The cost of income-related benefits for lone parents has risen, in real terms, from less than £1 1/2 billion in 1981/82 to over £3 billion in 1988/89.

As the House is aware, a number of steps have already been taken, either administratively or through legal changes such as those in the recent Social Security Act, to make improvements within the present system. We shall press ahead with these, since it will clearly take time to undertake wider reform. But the Government have firmly concluded that such wider reform is now required, and the White Paper sets out our proposals.

There are three major elements in those proposals. The first is a clear formula for the assessment of maintenance, which can be applied administratively rather than through the courts. The aim here is to establish a single system available to all, giving consistent and predictable decisions with a realistic relationship to the costs of providing for the care of a child, and subject to regular reviews.

The second is a purpose-built agency to undertake the assessment itself, and the work of collection and enforcement where necessary.

The third is measures to enhance the payment of maintenance as a foundation on which lone parents can build greater independence for themselves and their children.

I will deal briefly with each in turn.

The assessment formula will itself consist of three main parts. The starting point will be the calculation of a maintenance bill, which all parents will be expected to pay if they can afford to do so. It will be based on the appropriate Income Support rates, including the caring parents own personal allowance. This represents the costs of caring for the children, and will thus take account of the number and age of the children.

Once the bill is calculated, the next step will be to assess the amount which the absent parent keeps from his net income for his own necessary expenses. This is described in the White Paper as "exempt income". This will include his reasonable housing costs and the costs of any other children he is liable to support. There will, additionally, be a protected level of income, set by reference to the Income Support level, to avoid the situation in which the absent parent could be better off on benefit rather than in work.

Thirdly, the amount expected to be paid in maintenance is then worked out on the basis of sharing the remaining income - what is left after allowing for the necessary expenses - equally with the children, up to the point at which the maintenance bill is met. Once this has occurred, contributions will continue, but taking a smaller share of any additional exempt income: thus, as would be expected in any family, the children will share in the standard of living of their parents. Where the caring parent has sufficient income, he or she will also be expected to contribute towards the maintenance bill.

Absent parents on Income Support have the same basic responsibility towards their children as others, and we therefore think it right both to bring them within the system and, with appropriate exceptions, to expect from them a small maintenance contribution. The White Paper suggests 5 per cent of the adult personal allowance, in line with the standard deductions made for other purposes.

We hope to begin applying the formula within the current system from early in 1992.

The second main element in our proposals in the establishment of a Child Support Agency. It will have responsibility for tracing absent parents, assessing, collecting and where necessary enforcing maintenance payments. It will need powers to make a legally binding assessment, to require information and to determine the method of payment. It will be required to review the maintenance payable every year. In Great Britain, the Agency will operate as a Next Steps executive agency within my department. The Secretary of State for Northern Ireland will make similar arrangements in Northern Ireland.

When the Agency is fully operational, the courts will no longer decide applications for child maintenance or applications to vary existing awards. The courts will retain jurisdiction over related matters which arise when parents separate or divorce. These matters include residence of and contact with children, disputed paternity, property settlements and spousal maintenance. We hope that the Agency will begin work in early 1993 though the number of cases potentially involved means that it will be some time before all existing cases can be taken on.

Parents may choose to apply to the agency or make their own private arrangements, using if they wish the published formula. Where however the caring parent is receiving Income Support or Family Credit for herself and the children - that is to say where the public can be seen to have an interest - she will be obliged to use the Agency's services.

Since it is no more acceptable for a caring parent simply to choose not to seek maintenance than for an absent parent simply to choose not to pay it, we think it right - again with appropriate exceptions - to make it possible for a deduction to be made from the adult personal allowance if he or she unreasonably refuses to help in pursuing it.

The third element in our proposals, to which I also attach great importance, is one which builds on the advantages of regular payments of maintenance in making it easier for lone parents, as many wish to do, to move from reliance on Income Support into work and thus greater independence.

To this end we propose, at the same time as the formula is introduced, to make two significant changes in benefit rules.

One is to introduce into Family Credit, Housing Benefit and Community Charge Benefit a maintenance disregard of £15 a week, so that only above that level will maintenance have any effect on the help otherwise given by these benefits to parents who are working.

The other will be to widen the scope of Family Credit for all parents, but in a way likely to be of particular importance to lone parents. We shall make it possible to claim this benefit when working only for 16 hours weekly, instead of the present 24.

This should make it much easier for them to combine work with their responsibilities of caring of their children. A parallel change will be made in the Income Support rules, so that this can be claimed only when working less than 16 hours. In making these changes, we shall ensure full transitional protection for the small number of people who might otherwise be adversely affected.

The choice of whether to work or not must of course be for the parent. But it is clear that many wish to do so, and where that is so it is right that we should seek to help, as these measures will.

Mr Speaker, our proposals for a formula and an Agency, including the rights of appeal to whose precise form we are giving further consideration, will require legislation. This will be brought forward when Parliamentary time allows.

In the first two years, our proposals will give rise to some additional net expenditure, principally in establishing the Agency and in making the benefit changes I have just described. From then onwards, however, we expect to see net savings, initially modest but building up in the longer term.

More important, however, we shall have a system which better serves the parents and the children themselves. In conjunction with the Children Act and with the wide-ranging review of the family justice system as a whole which the Government has in hand, it is an important further step in making sure that children do indeed come first.

Child Maintenance

3.37 pm

The Secretary of State for Social Security (Mr. Tony Newton): With permission, Mr. Speaker, I should like to make a statement about the Government's proposals for a new system for securing the maintenance of children, on which a White Paper entitled "Children Come First" is being published today. Copies have been placed in the Vote Office.

I should emphasise at the outset that, while it seemed appropriate for me as Social Security Secretary to make this statement, the purpose and context of these proposals extend well beyond my Department. The White Paper is presented jointly by myself, my noble and learned Friend the Lord Chancellor, my right hon. and learned Friend the Secretary of State for Scotland, my right hon. Friend the Secretary of State for Northern Ireland and my noble and learned Friend the Lord Advocate. My noble and learned Friend the Lord Chancellor is also making a statement today in another place.

Governments cannot, of course, ensure that all children always live with both their parents, but they can and should seek to ensure that, whatever the underlying circumstances, the welfare of the children is the prime consideration. An effective system for securing their financial maintenance is an important element in achieving that objective.

The present arrangements are, by common consent, deficient. As the various surveys and background papers published with this White Paper clearly show, they are fragmented, inconsistent, and too often subject to uncertainty and delay. They lack systematic provision for review and updating as circumstances change. Even where a maintenance obligation has been clearly established, it can be difficult to enforce and the caring parent may face great additional difficulties and pressures in protecting the children's rights. The result is that only 30 per cent. of lone mothers and 3 per cent. of lone fathers currently receive maintenance for their children regularly, and that some two thirds of lone parents and their children now depend wholly or partly on income support. Such a position is in the interests of neither the parents nor, above all, the children, and, of course, it places a large burden on those who pay tax, many of whom are themselves bringing up children on perhaps quite modest incomes. The cost of income-related benefits for lone parents has risen, in real terms, from less than £1·5 billion in 1981-82 to more than £3 billion in 1988-89.

As the House is aware, a number of steps have already been taken, either administratively or through legal changes such as those in the recent Social Security Act 1989 to make improvements within the present system. We shall press ahead with those, since it will clearly take time to undertake wider reform, but the Government have firmly concluded that such wider reform is now required, and the White Paper sets out our proposals.

There are three major elements in those proposals. The first is a clear formula for the assessment of maintenance, which can be applied administratively rather than through the courts. The aim here is to establish a single system available to all, giving consistent and predicable decisions with a realistic relationship to the costs of providing for the care of a child, and the subject to regular reviews. The second is a purpose-built agency to undertake the assessment itself, and the work of collection and enforcement where necessary. The third is measures to enhance the payment of maintenance as a foundation on which lone parents can build greater independence for themselves and their children. I will deal briefly with each in turn.

The assessment formula will itself consist of three main parts. The starting point will be the calculation of a maintenance bill, which the parents will be expected to pay if they can afford to do so. It will be based on the appropriate income support rates, including the caring parents own personal allowance. That represents the costs of caring for the children, and will thus take account of the number and age of the children.

Once the bill is calculated, the next step will be to assess the amount which the absent parent keeps from his net —I will stress net—income for his own necessary expenses. That is described in the White Paper as "exempt income" and it will include his reasonable housing costs and the costs of any other children he is liable to support. There will, additionally, be a protected level of income, set by reference to the income support level, to avoid the situation in which the absent parent could be better off on benefit than in work.

Thirdly, the amount expected to be paid in maintenance is then worked out on the basis of sharing the remaining income—what is left after allowing for the necessary expenses—equally with the children, up to the point at which the maintenance bill is met. Once that has occurred, contributions will continue, but taking a smaller share of any additional exempt income and thus, as would be expected in any family, the children will share in the standard of living of their parents. Where the caring parent has sufficient income, he or she will also be expected to contribute towards the maintenance bill.

Absent parents on income support have the same basic resoponsibility towards their children as others, and we therefore think it right both to bring them within the system and, with appropriate exceptions, to expect from them a small maintenance contribution. The White Paper suggestt 5 per cent. of the adult personal allowance, in line with the standard deductions made for other purposes. We hope to begin applying the formula within the current system from early in 1992.

The second main element in our proposals is the establishment of a Child Support Agency. It will have responsibility for tracing absent parents, assessing, collecting and where necessary enforcing maintenance payments. It will need powers to make a legally binding assessment, to require information and to determine the method of payment. It will be required to review the maintenance payable every year. In Great Britain, the Agency will operate as a "next steps" executive agency within my Department. The Secretary of State for Northern Ireland will make similar arrangements in Northern Ireland.

When the agency is fully operational, the courts will no longer decide applications for child maintenance or applications to vary existing awards. The courts will retain jurisdiction over related matters which arise when parents separate or divorce. Those matters include residence of and contact with children, disputed paternity, property settlements and spousal maintenance. We hope that the agency will begin work in early 1993, though the number of cases potentially involved means that it will be some time before all existing cases can be taken on.

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Oral Questions

3.32 pm

Mr. Speaker: I have a short statement to make about oral questions next Session.

The House has now agreed to the first report of the Select Committee on Procedure relating to oral questions and to certain changes in the relevant Standing Orders. The main effects of this decision will be that, as from the first day of the next Session, Wednesday 7 November, oral questions will have to be tabled in person by hon. Members, and only a limited number of oral questions tabled will be printed. The Table Office has prepared a short note explaining the exact effects of the changes, and this will be available to hon. Members in the Table Office and in the Whips' Offices.

The Procedure Committee Report left one or two matters to my discretion, in particular the exact number of questions to be printed, and the timing of the shuffle. So far as numbers are concerned, I propose initially to authorise the numbers suggested in the report. Accordingly, for those Departments answering for the whole of Question Time a maximum of 40 questions will be printed. For those Departments answering until 3.10 or 3.15, the maximum figure will be 30. For the Prime Minister the figure will be 10. Similarly for the smaller Departments that answer for five or 10 minutes, the maximum will also be 10. As the Procedure Committee recommended, I will review those figures from time to time in the light of experience.

The present deadline for oral questions to be included in the daily "shuffle" will be extended from 4 pm to 5 pm. Again, I will review this when the new system has been in operation for a period.

I hope that any hon. Member who is still uncertain about how the new system will operate will not hesitate to consult the Table Office before the House is prorogued, so that the new system can get off to a smooth start on 7 November.

Several Hon. Members: On a point of order, Mr. Speaker.

Mr. Speaker: Order. I do not think that any points of order can arise from that—it is an Order of the House.

Mr. Dennis Skinner (Bolsover): On a point of order, Mr. Speaker. Could you please explain, the question of —*[Interruption.]*

Mr. Speaker: Order. I call Mr. Cryer first.

Mr. Bob Cryer (Bradford, South): On a point of order, Mr. Speaker. The question that arises is about the number of Prime Minister's questions, which has been set at 10. What will happen if hon. Members pull out, as they frequently do, both in Prime Minister's Question Time and in other Question Times? Will the maximum number of questions take it into account that some hon. Members who are lucky enough to be in the first 10 may pull out before Prime Minister's Question Time starts? Will questions then include the 11th, 12th, 13th and 14th and so on, as for other Question Times to replace the withdrawn questions.

Several Hon. Members *rose*——

Mr. Speaker: Order. Allow me to answer one point at a time. If hon. Members table questions themselves—that will be the procedure in the future—I should be surprised if a large number of them who are in the first 10 do pull out.

Sir Peter Emery (Honiton): On a point of order, Mr. Speaker. May I, on behalf of the Procedure Committee, thank you for acting within two working days of the recommendation of the House to bring in something that will, first, benefit the real Members of Parliament——

Mr. Speaker: Order. I think that that is a bit provocative. We are all real Members of Parliament!

Sir Peter Emery: Allow me to finish my question, Sir. It will benefit real Members who do not take part in the syndicalisation of questions, which is likely——

Mr. Speaker: Order. We have a heavy day ahead of us. I hope that the hon. Member is coming to a conclusion.

Sir Peter Emery: It is likely to result in a saving to the Exchequer of something over £3 million. The House should be grateful.

Mr. Skinner: On a point of order, Mr. Speaker. You mentioned in your remarks that the limit on Prime Minister's questions would be 10. I suggest that you look at that afresh because you will find, on examination, that in the past two or three years, there have been at least three occasions when 10 was exceeded. There was one occasion when you personally called more than 14 because people were missing and so on. It is not a matter of hon. Members pulling the questions out if they are in the first 10. Towards the end of a session when hon. Members are missing, as on two previous occasions, we could finish up running short.

Several Hon. Members *rose*——

Mr. Speaker: Order. We do not really want further points of order on this. It is not for me to second-guess what the Select Committee has decided and recommended. I have already said to the whole House that I shall keep the matter under review. If I think that the maximum numbers need to be increased, thaat will certainly be done. I shall take one more point of order.

Mrs. Margaret Ewing (Moray): On a point of order, Mr. Speaker. You have kindly said that you will monitor the new arrangements. May I ask in particular that you pay attention to the geographical distance of the constituencies of some hon. Members from the House? The extension from 4 o'clock to 5 o'clock will not make much difference to Members from the north of Scotland, the regions of England and Wales, who are not within easy communication distance of the House. Will you ensure that we are not in any way disadvantaged when tabling questions?

Mr. Speaker: I cannot interfere with the shuffle. I hope that the hon. Lady is not asking me to do that.

Parents may choose to apply to the agency or make their own private arrangements, using if they wish the published formula. Where however the caring parent is receiving income support or family credit for herself and the children—that is to say where the public can be seen to have an interest—she will be obliged to use the agency's services.

Since it is no more acceptable for a caring parent simply to choose not to seek maintenance than for an absent parent simply to choose not to pay it, we think it right —again with appropriate exceptions—to make it possible for a deduction to be made from the adult personal allowance if he or she unreasonably refuses to help in pursuing it.

The third element in our proposals, to which I also attach great importance, is one which builds on the advantages of regular payments of maintenance in making it easier for lone parents, as many wish to do, to move from reliance on income support into work and thus greater independence. To that end we propose, at the same time as the formula is introduced, to make two significant changes in benefit rules.

One is to introduce into family credit, housing benefit and community charge benefit a maintenance disregard of £15 a week, so that only above that level will maintenance have any effect on the help otherwise given by those benefits to parents who are working. The other will be to widen the scope of family credit for all parents, but in a way likely to be of particular importance to lone parents. We shall make it possible to claim this benefit when working only for 16 hours weekly, instead of the present 24. That should make it much easier for parents to combine work with their responsibilities for caring for their children. A parallel change will be made in the income support rules, so that that can be claimed only when working less than 16 hours. In making those changes, we shall ensure full transitional protection for the small number of people who might otherwise be adversely affected. The choice of whether to work or not must of course be for the parent. But it is clear that many wish to do so, and where that is so it is right that we should seek to help, as these measures will.

Our proposals for a formula and an agency, including the rights of appeal to whose precise form we are giving further consideration, will require legislation. That will be brought forward when parliamentary time allows. In the first two years, our proposals will give rise to some additional net expenditure, principally in establishing the agency and in making the benefit changes I have just described. From then onwards, however, we expect to see net savings, initially modest but building up in the longer term. More important, however, we shall have a system which better serves the parents and the children themselves. In conjunction with the Children Act 1989 and the wide-ranging review of the family justice system as a whole, which the Government have in hand it is an important further step in making sure that children do indeed come first.

Mr. Michael Meacher (Oldham, West): Is the right hon. Gentleman aware that we strongly support the principle of the state assisting with the collection of child maintenance and agree that fathers should be expected to accept responsibility for their children? As the House knows, I issued a consultation paper last year, making that proposal a month before the Prime Minister's speech recommending it, which demonstrates that there is cross-party support in the House for this principle.

However, we have considerable reservations about the means by which the right hon. Gentleman intends to operate the agency. In particular, is it not clear from the way that the Government have drafted the scheme that the main intention is to save public expenditure rather than to remedy child poverty and enable lone parents to gain self-sufficiency? When there has been time for people clearly to read the paper, perhaps they will think that it should have been entitled not "Children Come First" but "The Treasury Comes First."

For a mother on income support, where the right hon. Gentleman is proposing no disregard on maintenance—so the mother is permitted to keep none of the money collected without a corresponding reduction in her income support—it is clear that she gains nothing; only the Government gain, through a reduction in public expenditure. Will not the father feel intense resentment that none of his enforced maintenance will go to the child or to the mother, only to the Department of Social Security? Is not the lack of a maintenance disregard when the mother stays at home with her child a basic flaw in the scheme, as without it, neither mother nor father will have an incentive to participate? Does not that reveal that the real purpose behind the scheme is to save Government expenditure?

If the mother does seek a job, will the £15 maintenance disregard that the right hon. Gentleman is proposing for family credit, really assist her in gaining her independence when she still has to meet far higher expenses in child care costs and, if she is an owner occupier, in mortgage interest payments? Does the right hon. Gentleman accept that, given those large offsets, a mother would probably have to earn more than £150 a week—10 times as much—before she was better off than she would be on income support?

Will a £15 maintenance disregard on family credit offer much of a pathway out of poverty? According to a recent CBI survey, 70 per cent. of lone parents want to work but cannot because there is no child care provision available. Is it not clear that, without those other elements, of a genuine family policy, which the Government have so far grossly neglected, the right hon. Gentleman's proposal will do very little either to cure poverty or to help lone parents to regain their independence?

As to the father—the absent parent is usually the father —will not the requirement for him to pay up to 50 per cent. of his income, after allowances for necessary personal expenses, simply transfer poverty from the first family to the second family if the father has other children in another relationship?

Will the right hon. Gentleman confirm that surveys have shown that up to one third of men liable to pay child maintenance are either unemployed or on very low incomes, so that, even given a protected income for the second family at income support levels, the right hon. Gentleman's proposal will simply leave both families on the poverty line? Does not he understand that, if he takes a punitive attitude to absent fathers and forces them to make unreasonable levels of payment, he will create hostility and antagonism and damage the relationship between the absent father and his child?

Will the right hon. Gentleman confirm that he wanted a scheme along the lines of the Australian and Wisconsin models, whereby the father would pay to support the child,

[Mr. Michael Meacher]

and at much lower percentages of his income—but the Treasury insisted that the father should pay for the full maintenance costs of the mother as well, including her mortgage interest payments, up to the crippling rate of 50 per cent.?

Does not that again expose the fact that it is a cost saving, not a poverty reducing, exercise? Is it not likely that a penal 50 per cent. repayment rate will have the perverse result of pushing more second families into dependence on benefit than it will rescue first families from it? Will the right hon. Gentleman also reconsider the element of compulsion in the scheme, which forces the mother to name the father on pain of otherwise losing up to 20 per cent. of benefit? Will the mother have an untramelled right——

Ms. Clare Short (Birmingham, Ladywood): Some of the children are yours.

Mr. Meacher: —to refuse to name the father when she fears that he might be violent or where she may not be certain that she knows who is the father?—*[Interruption.]*

Ms. Short: They might have illegitimate children.

Mr. Jerry Hayes (Harlow): On a point of order, Mr. Speaker.

Mr. Speaker: Order. All these interruptions take time. We are in the middle of hearing a response to the Secretary of State's statement.

Mr. Hayes *rose*——

Mr. Speaker: Do I understand that an allegation has been made against the hon. Gentleman?

Mr. Hayes: A remarkable allegation was made, Mr. Speaker, by the hon. Member for Birmingham, Ladywood (Ms. Short)—all the more remarkable, I suspect, to my wife than to me—that I had sired illegitimate children. To the best of my knowledge, I have not.

Ms. Short: I was not referring, Mr. Speaker, just to the hon. Member for Harlow (Mr. Hayes), but was pointing out to Conservative Members that some of them may have fathered children that they do not know about—and might end up being named.

Mr. Speaker: Order. That is an unworthy allegation for the hon. Lady to make. I ask her to withdraw it.

Hon. Members: Withdraw.

Ms. Short: The point that I am making is about all men.

Mr. Speaker: The hon. Lady specifically mentioned Conservative Members, and it is that remark that I am asking her to withdraw.

Ms. Short: It was clear that I was not speaking only——

Mr. Speaker: Order. I thought that I heard the hon. Lady refer—in fact, I think that she did refer—to Conservative Members. I am not asking her to withdraw the generality of her remark but the allegation against Conservative Members.

Ms. Short: I was making the point, Mr. Speaker, that many men—including those on the Conservative Benches, and on these Benches, and outside——

Mr. Speaker: Order. I ask the hon. Lady to do the right thing. She knows exactly what I am asking her to do, and I ask her please to do it now.

Ms. Short: I am very sorry about this, Mr. Speaker. I have no wish to challenge your authority, but I mean the point that I am making, which is not just about Conservative Members but includes them. I mean it, and I am very sorry, but I am not willing to withdraw it.

Mr. Speaker: The hon. Lady is an Opposition Front Bench spokesman, and she must withdraw her allegation against Conservative Members. That is what she has said, and if she looks at the record in *Hansard*, she will see that that is what she said. That is what I am asking her to withdraw, please.

Ms. Short: This is not fair and not reasonable.

Mr. Speaker *rose*——

Ms. Short: I was making the point, Mr. Speaker, when Conservative Members were heckling——

Mr. Speaker: Order. Time is getting on. We have a very busy day ahead. The hon. Lady knows exactly what I am asking her to do, as does the whole House.

Ms. Short: I have made no specific allegations, Mr. Speaker, against any right hon. or hon. Member.—[HON. MEMBERS: "Yes you have."] I am sorry, but I was making a point about the statement, and about forcing women to name the fathers of their children.

Mr. Speaker: Order. I would be deeply reluctant to have to take further action in relation to the hon. Lady. I heard her say it and the House heard her make an allegation against hon. Gentlemen. That is what I am asking her to withdraw. Will she now withdraw that so that we can get on?

Mr. Jeff Rooker (Birmingham, Perry Barr): Further to that point of order, Mr. Speaker.

Mr. Speaker: Order. No, I shall not deal with the hon. Gentleman's point of order. I am dealing with the hon. Lady.

Ms. Short: I did not, and no one in the House heard me, make a specific allegation about any hon. Member. I am making a point that I mean, and it is important. I respect you greatly, Mr. Speaker, but I am not going to be bullied on this matter. I have not broken the rules of the House. I have not made an allegation against any hon. Member, and I would not do so.

Mr. Speaker: I think that we cannot continue like this. I heard the hon. Lady make that allegation—*[Interruption.]* I am dealing with it. All the hon. Lady needs to do is to get up and withdraw any reflection upon hon. Members in the House. I am not asking her to withdraw a reflection on men in general. That is a matter for her. Will she withdraw any reflection upon hon. Members?

Ms. Short: I was making a comment about men in general and there are a lot of men in the House, and that is the only sense in which it is a reflection. I am not casting any aspersions on individual hon . Members. I am making

file cc CAS BP & Press Political.

CHILD MAINTENANCE STATEMENT

My Lords, with the leave of the House, I shall make a statement about child maintenance. My Right Honourable Friend, the Secretary of State for Social Security, will be making a corresponding statement in another place.

The Government have today published a White Paper - *Children Come First* - which sets out their proposals for a new system of maintenance for children. Copies have been placed in the Library.

My Lords, these important proposals are a collaborative effort involving many Departments of State. They are to be seen as a further step in the wide-ranging review of the family justice system which the Government have in hand. As with other aspects of that review, its aim is to give priority to the welfare of children and to highlight their parents' responsibility for ensuring it. It is a natural adjunct to the Children Act over which this House spent so much time and care in the last session. It takes its place with the other items in that review, such as divorce reform and the law of domestic violence on which Law Commission reports are expected, and current work in Departments on the arrangements for and place of conciliation, reconciliation and support services for the courts in family proceedings. At the same time, my colleague the Home Secretary will be taking steps to ensure that maintenance is paid more reliably.

Every child has a right to receive care from his or her parents. Parents have a legal and moral responsibility to care for their children until the children are old enough to look after themselves.

The parents of a child may separate. In some instances the parents may not have lived together as a family at all. Events may change the relationship of the parents to each other. They may divorce, for example. But these events cannot in any way change the responsibilities of the parents towards their children.

The payment of child maintenance is one important way in which parents fulfil those responsibilities.

Government cannot ensure that families stay together. But we can and should ensure that parents make proper financial provision for their children whenever it can reasonably be expected.

The present system of maintenance is unnecessarily fragmented, and uncertain in its results. It is based largely on discretion. And it is operated through hundreds of courts and hundreds of social security offices throughout the United Kingdom. The cumulative effect is uncertainty and arguably inconsistent decisions about how much maintenance should be paid. In a great many cases, the maintenance awarded is not paid at all or the payments fall into arrears and take many weeks to re-establish.

Only 30% of lone mothers and 3% of lone fathers receive maintenance regularly. Over three quarters of a million lone parents and their children depend on Income Support. In 1989 only 23% of lone parents who were receiving Income Support received maintenance. Ten years ago the figure was 50%. Income Support represents 45% of the income of all lone parents. The cost in real terms to the taxpayer has risen from £1.4 billion in 1981/82 to £3.2 billion in 1988/89.

We have made improvements within the present system. These will help parents but they cannot solve all the problems. We now need strategic reform.

Our proposals will deliver:-

- a single system available to all;

- consistent and predictable decisions about how much maintenance is to be paid;

- payments that bear a realistic relationship to the costs of caring for a child;

- a fair and reasonable way of deciding maintenance so it does not become a contest between parents to the detriment of the children;

- regular reviews of maintenance;

- a chance for children to share in their parents' standard of living; and

- continuing incentives for absent parents to work and to go on working.

And, we want to help caring parents who are ready and able to go to work to do so.

We do not want children to become dependent on Income Support whenever this can be avoided. It is not right that taxpayers should shoulder that responsibility if parents are able to do it themselves. After all, taxpayers include other families who are bringing up children.

We intend to achieve all these many objectives by introducing three important measures. The first is a formula for the calculation of maintenance. The second is to create a Child Support Agency which will assess and collect and enforce maintenance. The third is to make changes to the social security benefits which are paid to parents who work.

Before turning to the details of the formula I should tell the House that there will be a protected income level which is higher than income support. Nobody who is working will ever be left with less than that after maintenance is deducted. There will also be an upper income limit on the operation of the formula

beyond which further support for the child will have to be sought in the courts.

Turning to the formula itself, it has three elements. First, there will be a maintenance bill which represents the day to day costs of caring for a child and which all parents should pay if they can afford to do so. The size of the bill will depend on the number and age of the children and will be based on Income Support rates.

Secondly, there will be an exempt income which the parent keeps before he pays any maintenance at all. So from his take home pay he keeps enough to meet his own necessary expenses and his housing costs and the cost of those of his children who are living with him.

Thirdly, maintenance will be paid from the remaining income. We believe it is right that, once his expenses have been met, he should share the remaining income equally with his children until the maintenance bill has been paid. In most cases, this will mean that the absent parent will keep between two thirds and three quarters of his net - post tax - income. Those who can afford to meet the maintenance bill will continue to contribute to their children but at a lower rate.

Where the caring parent has enough income, she will also be expected to contribute towards the maintenance bill. Both parents are liable to support their children.

We hope to apply this formula from early in 1992.

Absent parents who are receiving Income Support have the same legal and moral obligations towards their children as any other parents. As a general rule, they will be expected to make a nominal contribution from their Income Support for the maintenance of their children.

The second measure is the Child Support Agency which will have responsibility for tracing absent parents, assessing, collecting and where necessary enforcing maintenance payments. It will need powers to make a legally binding assessment, to require the provision of information and to determine the method of payment. The Agency will be required to review the maintenance payable every year. In Great Britain, the Agency will operate as a Next Steps executive agency within the Department of Social Security. The Secretary of State for Northern Ireland will make similar arrangements in Northern Ireland.

When the Agency is fully operational, the courts will generally no longer decide applications for child maintenance or applications to vary existing awards. The courts will retain jurisdiction over related matters which arise when parents separate or divorce. These matters include residence of and contact with children, disputed paternity, property settlements and spousal maintenance.

As at present, generally parents may choose to apply for an assessment or may make their own private arrangements. The details of the formula will be well known and they will be able to use the formula themselves.

However, where there is a third party interest, that of the taxpayer, parents will be obliged to use the Agency's services. The taxpayer has an interest when the caring parent is receiving Income Support or Family Credit for herself and the children. It is also in the parent's own interests. If a regular pattern of maintenance is established, then it is easier to move from benefit to work. If a parent unreasonably declines to seek maintenance, it will be possible to make some deduction from her adult allowance. There will, of course, be exceptions for those rare circumstances where it is not in the interests of the children to seek maintenance.

The third measure, and one to which the Government attach great importance, is providing more help for those parents who are looking after children and who want to go to work. Receiving maintenance, in addition to their earnings, will provide an invaluable bridge between reliance on Income Support and the world of work. But we believe that we should offer further help still to parents who work. We will be making two significant changes in the rules for benefits paid to working people.

To coincide with the introduction of the formula, we will introduce a maintenance disregard of £15 per week. The first £15

of maintenance paid will be ignored for the purposes of calculating entitlement to Family Credit, Housing Benefit or Community Charge Benefit.

At the same time, we will reduce the number of hours work which qualify for Family Credit from 24 hours a week to 16 hours a week. Similar adjustments will be made to the rules for receipt of Income Support. This will apply to all claimants. It will be of particular value to lone parents. This will make it easier for parents to combine work with their responsibilities for caring for children. No one will lose from this change because full protection will be provided.

These measures will make it easier for parents to achieve independence through their own efforts. The choice must be the parent's own. But we know that many of them wish to work. It is right that we should take steps to help them realise those ambitions.

We will bring forward legislation which provide for the use of the formula, the powers of the Agency and rights of appeal against the Agency's decisions. We are giving further consideration to the precise form of the appeal structure.

My Lords, this is an integrated package of important measures which will help children. Where maintenance is paid it advances the interests of all of us.

It is in the interests of the children that they should be maintained by their parents. Maintenance provides them with a reliable source of income and they learn about the responsibilities which family members owe to each other.

And it is in the interest of the caring parents. Maintenance provides them with a bridge into work and greater independence.

My Lords, I commend the proposals in the White Paper to your Lordships as a further valuable step in our staged reforms of the family justice system.

DEPARTMENT OF SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 071-210 3000
From the Secretary of State for Social Security

POLICY IN CONFIDENCE

Cannot proceed through to DSS on 29/10 CAS 29/10

The Private Secretary
Lord Chancellor's Department
House of Lords
London
SW1

26 October 1990

Dear Terry,

CHILD MAINTENANCE: WHITE PAPER

I enclose a further draft of the statement my Secretary of State is proposing to make to the House on Monday 29 October. This reflects a discussion with both the Secretary of State and Parliamentary Under Secretary and has been shortened to meet the Lord President's concern about the demands on Parliamentary time.

The statement is broadly in its final form, but my Secretary of State is proposing to do further work on it over the weekend. I understand that the Lord Chancellor will also be finalising the text of his statement, and the final versions will therefore be agreed on Monday.

I am copying this letter to the Private Secretaries to the Prime Minister, Sir Geoffrey Howe, Lord Fraser, David Waddington, Michael Howard, Malcolm Rifkind, Kenneth Clarke, Kenneth Baker, Norman Lamont, Peter Brooke, David Hunt, Tim Renton, Lord Denham and Sir Robin Butler.

Debbie Heigh

DEBBIE HEIGH
Private Secretary

DRAFT STATEMENT ON CHILD MAINTENANCE

With permission, Mr Speaker, I should like to make a statement about child maintenance.

The Government has today published a White Paper - Children Come First - which sets out its proposals for a new system of maintenance for children. Copies have been placed in the Library.

Mr Speaker, these important proposals go well beyond my usual responsibilities for social security. They are a collaborative effort involving many Departments of State. They are to be seen as part of this Government's wide ranging measures to improve the care and welfare of children. These include the implementation of the Children Act, reviews of divorce law and related matters including conciliatory and welfare services.

Government cannot ensure that families stay together. But we can and should ensure that parents make proper financial provision for their children whenever it can reasonably be expected.

The present system of maintenance is unnecessarily fragmented, inconsistent and slow. It is based largely on discretion. And it is operated through hundreds of courts and social security offices throughout the United Kingdom. The result is massive inconsistency. For example, awards ranging from £5 to £50 for people with the same income. There is no automatic way of reviewing awards. In a great many cases, the maintenance awarded is not paid at all or the payments fall into arrears and take many weeks to re-establish. To many parents it must look like an obstacle course. The system is also ineffective. Only 30 per cent of lone mothers and 3 per cent of lone fathers receive maintenance regularly. Two thirds of lone parents and their children depend on Income Support. Only 23 per cent of lone parents who are receiving Income Support receive any maintenance. The cost in real terms to the taxpayer of income related benefits for lone parents has risen from £1.4 billion in 1981/82 to £3.2 billion in 1988/89.

We have made improvements within the present system. These will help parents but they cannot solve all the problems. We now need strategic reform.

Our proposals will deliver a single system which will be available to all. The system itself will deliver consistent and predictable decisions about how much maintenance is to be paid; payments that bear a realistic relationship to the costs of caring for a child and a fair and reasonable way of deciding maintenance so it does not become a contest between parents to the detriment of the children. It will also deliver regular reviews of maintenance; a chance for children to share in their parents' standard of living and continuing incentives for absent parents to work and to go on working.

And, we want to help caring parents who are ready and able to go to work to do so.

We do not want children to become dependent on Income Support whenever this can be avoided. It is not right that taxpayers should shoulder that responsibility if parents are able to do it themselves. After all, taxpayers include other families who are bringing up children.

To achieve these objectives we are introducing three important measures. The first is a formula for the calculation of maintenance. The second is a Child Support Agency which will assess and collect and enforce maintenance. The third is the introduction of changes to the social security benefits which are paid to parents who work.

The formula will consist of three elements. Firstly, a maintenance bill which represents the day to day costs of caring for a child as measured by Income Support rates. All parents should pay it if they can afford to do so. The size of the bill depends on the number and age of the children.

Secondly, an exempt income which the parent keeps before he pays any maintenance at all. So from his take home pay he keeps enough to meet his own necessary expenses, and his housing costs and the costs of any other children he is liable to care for. In addition there will be a protected level of income which is higher than Income Support. Nobody who is working will ever be left with less than that.

Thirdly, maintenance will be paid from the remaining income. We believe it is right that, once his expenses have been met, he should share the remaining income equally with his children until the maintenance bill has been paid. In most cases, this will mean that the absent parent will keep between two thirds and three quarters of his net - post tax - income. Those who can afford to meet the basic maintenance bill will continue to ~~contribute~~ pay more of their eligible income to their children but at a much lower rate. Children are entitled to share in their parents' standard of living.

Where the caring parent has enough income, she will also be expected to contribute towards the maintenance bill. Both parents are liable to support their children.

We hope to apply this formula from early in 1992.

Absent parents who are receiving Income Support have the same obligations towards their children as any other parents. As a general rule, they will be expected to make a nominal contribution from their Income Support for the maintenance of their children.

The second measure is the Child Support Agency. It will have responsibility for tracing absent parents, assessing, collecting and where necessary enforcing maintenance payments. It will need powers to make a legally binding assessment, to require the provision of information and to determine the method of payment. It will be required to review the maintenance payable every year. In Great Britain, the Agency will operate as a Next Steps executive agency within my department. The Secretary of State for Northern Ireland will make similar arrangements in Northern Ireland.

When the Agency is fully operational, the courts will no longer decide applications for child maintenance or applications to vary existing awards. The courts will retain jurisdiction over related matters which arise when parents separate or divorce. These matters include residence of and contact with children, disputed paternity, property settlements and spousal maintenance.

Parents may choose to apply to the agency or make their own private arrangements. The details of the formula will be published and they can use the formula themselves.

When the caring parent is receiving Income Support or Family Credit for herself and the children - that is to say when the taxpayer can be seen to have an interest - she will be obliged to use the Agency's services. If a parent unreasonably declines to seek maintenance, it will be possible to make some deduction from her adult allowance but not of course, from any payment to the children themselves. There will, of course, be exceptions for those rare circumstances such as rape, where it is not in the interests of the children to seek maintenance.

The third measure, and one to which I attach great importance, is more help for those parents looking after children who want to go to work. There are many of them and receiving maintenance will in itself help them to work. It provides an invaluable bridge between reliance on Income Support and the world of work, as it is in addition to their earnings. But we believe that we should offer further help still. We will be making two significant changes in the rules for benefits paid to working people.

To coincide with the introduction of the formula, we will introduce a maintenance disregard of £15 per week. The first £15 of maintenance paid will be ignored for the purposes of calculating entitlement to Family Credit, Housing Benefit or Community Charge Benefit.

At the same time we will reduce the number of hours work which qualify for Family Credit from 24 hours a week to 16 hours a week. Similar adjustments will be made to the prospective rules for receipt of Income Support. This will apply to all claimants. It will be of particular value to lone parents. It will be easier for them to combine work with their responsibilities for caring for children. No one will lose from this change because full protection will be provided.

These measures will make it easier for parents to achieve independence through their own efforts. The choice must be the parent's own. But if they wish to work, it is right that we should take steps to help them do so.

We will bring forward legislation which provide for the use of the formula, the powers of the Agency and rights of appeal against the Agency's decisions. We are giving further consideration to the precise form of the appeals.

Mr Speaker, this is an integrated package of important measures which will help children. Where maintenance is paid it advances the interests of all.

It is in the interests of the children that they should be maintained by their parents. Maintenance provides them with a reliable source of income and they learn about the responsibilities which family members owe to each other.

It is in the interest of the caring parents. Maintenance provides them with a bridge into work and greater independence.

I am sure that many on all sides in this House will wish to support and commend these proposals.

NBPM

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From The Secretary of State for Wales

The Rt Hon David Hunt MBE MP

CT/5677/90

26th October 1990

Dear Tony

WHITE PAPER ON NEW PROPOSALS FOR CHILD MAINTENANCE

Thank you for sending me a copy of your letter of 15 October to the Prime Minister with a copy of your draft White Paper on new proposals for child maintenance.

I very much support your proposals to improve the child maintenance system. There are no comments I would wish to make on the draft at this stage, though I understand that my officials are to co-operate with yours in the consultation process and we will feed any Welsh comments in at that point.

Copies of this go to the Prime Minister, Geoffrey Howe, James Mackay, Peter Fraser, David Waddington, Michael Howard, Malcolm Rifkind, Kenneth Baker, Norman Lamont, Peter Brooke, Tim Renton, Bertie Denham and Robin Butler.

Yours ever

David

The Rt Hon Tony Newton
Secretary of State for Social Security
Richmond House
79 Whitehall
LONDON
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SOCIAL SERVICES : Uplabug PTG.

CONFIDENTIAL

PRIME MINISTER (1)

DRAFT STATEMENT ON CHILD MAINTENANCE

You may like to see the latest version of Mr Newton's statement on child maintenance which he plans to make to the House on Monday. He will be working on it over the weekend.

Andrew Dunlop has suggested a few drafting changes and I have added a few more. These are shown in the attached. Overall, Andrew makes the point that, as there is speculation in the press that the Treasury has highjacked this initiative, it is important that the statement makes it clear that the Government sees this as a moral issue and not just as a way of containing public expenditure.

Agree to the drafting changes shown? – The one on p. 3 is very bad English

Otherwise content with the statement?

On p. 4 – I doubt whether we need to specify maps.

p. 5 – hardly worth making.

CAS

Caroline Slocock
26 October 1990

DRAFT STATEMENT ON CHILD MAINTENANCE

With permission, Mr Speaker, I should like to make a statement about child maintenance.

The Government has today published a White Paper - Children Come First - which sets out its proposals for a new system of maintenance for children. Copies have been placed in the Library.

Mr Speaker, these important proposals go well beyond my usual responsibilities for social security. They are a collaborative effort involving many Departments of State. They are to be seen as part of this Government's wide ranging measures to improve the care and welfare of children. These include the implementation of the Children Act, reviews of divorce law and related matters including conciliatory and welfare services.

Government cannot ensure that families stay together. But we can and should ensure that parents make proper financial provision for their children whenever it can reasonably be expected.

The present system of maintenance is unnecessarily fragmented, inconsistent and slow. It is based largely on discretion. And it is operated through hundreds of courts and social security offices throughout the United Kingdom. The result is massive inconsistency. For example, awards ranging from £5 to £50 for people with the same income. There is no automatic way of reviewing awards. In a great many cases, the maintenance awarded is not paid at all or the payments fall into arrears and take many weeks to re-establish. To many parents it must look like an obstacle course. The system is also ineffective. Only 30 per cent of lone mothers and 3 per cent of lone fathers receive maintenance regularly. Two thirds of lone parents and their children depend on Income Support. Only 23 per cent of lone parents who are receiving Income Support receive any maintenance. The cost in real terms to the taxpayer of income related benefits for lone parents has risen from £1.4 billion in 1981/82 to £3.2 billion in 1988/89.

We have made improvements within the present system. These will help parents but they cannot solve all the problems. We now need strategic reform.

Our proposals will deliver a single system which will be available to all. The system itself will deliver consistent and predictable decisions about how much maintenance is to be paid; payments that bear a realistic relationship to the costs of caring for a child and a fair and reasonable way of deciding maintenance so it does not become a contest between parents to the detriment of the children. It will also deliver regular reviews of maintenance; a chance for children to share in their parents' standard of living and continuing incentives for absent parents to work and to go on working.

And, we want to help caring parents who are ready and able to go to work to do so.

We do not want children to become dependent on Income Support whenever this can be avoided. It is not right that taxpayers should shoulder that responsibility if parents are able to do it themselves. After all, taxpayers include other families who are bringing up children.

To achieve these objectives we are introducing three important measures. The first is a formula for the calculation of maintenance. The second is a Child Support Agency which will assess and collect and enforce maintenance. The third is the introduction of changes to the social security benefits which are paid to parents who work.

The formula will consist of three elements. Firstly, a maintenance bill which represents the day to day costs of caring for a child as measured by Income Support rates. All parents should pay it if they can afford to do so. The size of the bill depends on the number and age of the children.

Secondly, an exempt income which the parent keeps before he pays any maintenance at all. So from his take home pay he keeps enough to meet his own necessary expenses, and his housing costs and the costs of any other children he is liable to care for. In addition there will be a protected level of income which is higher than Income Support. Nobody who is working will ever be left with less than that.

Thirdly, maintenance will be paid from the remaining income. We believe it is right that, once his expenses have been met, he should share the remaining income equally with his children until the maintenance bill has been paid. In most cases, this will mean that the absent parent will keep between two thirds and three quarters of his net - post tax - income. Those who can afford to meet the basic maintenance bill will ~~continue to contribute~~ pay more of their eligible income on top of this to their children but at a much lower rate. Children are entitled to share in their parents' standard of living.

Where the caring parent has enough income, she will also be expected to contribute towards the maintenance bill. Both parents are liable to support their children.

We hope to apply this formula from early in 1992.

Absent parents who are receiving Income Support have the same obligations towards their children as any other parents. As a general rule, they will be expected to make a nominal contribution from their Income Support for the maintenance of their children.

The second measure is the Child Support Agency. It will have responsibility for tracing absent parents, assessing, collecting and where necessary enforcing maintenance payments. It will need powers to make a legally binding assessment, to require the provision of information and to determine the method of payment. It will be required to review the maintenance payable every year. In Great Britain, the Agency will operate as a Next Steps executive agency within my department. The Secretary of State for Northern Ireland will make similar arrangements in Northern Ireland.

When the Agency is fully operational, the courts will no longer decide applications for child maintenance or applications to vary existing awards. The courts will retain jurisdiction over related matters which arise when parents separate or divorce. These matters include residence of and contact with children, disputed paternity, property settlements and spousal maintenance.

Parents may choose to apply to the agency or make their own private arrangements. The details of the formula will be published and they can use the formula themselves.

When the caring parent is receiving Income Support or Family Credit for herself and the children - that is to say when the taxpayer can be seen to have an interest - she will be obliged to use the Agency's services. If a parent unreasonably declines to seek maintenance, it will be possible to make some deduction from her adult allowance but not of course, from any payment to the children themselves. There will, of course, be exceptions for those rare circumstances such as rape, where it is not in the interests of the children to seek maintenance.

The third measure, and one to which I attach great importance, is more help for those parents looking after children who want to go to work. There are many of them and receiving maintenance will in itself help them to work. It provides an invaluable bridge between reliance on Income Support and the world of work, as it is in addition to their earnings. But we believe that we should offer further help still. We will be making two significant changes in the rules for benefits paid to working people.

To coincide with the introduction of the formula, we will introduce a maintenance disregard of £15 per week. The first £15 of maintenance paid will be ignored for the purposes of calculating entitlement to Family Credit, Housing Benefit or Community Charge Benefit.

At the same time we will reduce the number of hours work which qualify for Family Credit from 24 hours a week to 16 hours a week. Similar adjustments will be made to the respective rules for receipt of Income Support. This will apply to all claimants. It will be of particular value to lone parents. It will be easier for them to combine work with their responsibilities for caring for children. No one will lose from this change because full protection will be provided.

These measures will make it easier for parents to achieve independence through their own efforts. The choice must be the parent's own. But if they wish to work, it is right that we should take steps to help them do so.

We will bring forward legislation which provide for the use of the formula, the powers of the Agency and rights of appeal against the Agency's decisions. We are giving further consideration to the precise form of the appeals.

Mr Speaker, this is an integrated package of important measures which will help children. Where maintenance is paid it advances the interests of all.

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I am sure that many on all sides in this House will wish to support and commend these proposals.

CAROLINE SLOCOCK

25 October 1990

CHILD MAINTENANCE: WHITE PAPER

Tony Newton's office have sent me a copy of the draft statement he is working on (copy attached).

In general it is quite good and clear. While it could do with some shortening there are only two substantive comments I would make:

1. Given the speculation in the press that the Treasury has hijacked this initiative, it is important that the statement makes it clear up-front that the Government sees this as a moral issue (and by implication not simply as a way of containing public expenditure);

2. The reference on P.5 to "Similar adjustments will be made to the rules for receipt of Income Support", could be misinterpreted to mean that there will also be a maintenance disregard in income support. It needs to be made even more clear that the changes to the rules in income support refer to the consequential changes to the hours rule resulting from the changes to the in-work benefits. At present the drafting is a little too "telescoped".

ANDREW DUNLOP

083.AD

DEPARTMENT OF SOCIAL SECURITY
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Telephone 071-210 3000
From the Secretary of State for Social Security

POLICY IN CONFIDENCE

The Private Secretary
Lord Chancellor's Department
House of Lords
London
SW1

25 October 1990

Dear Terry.

CHILD MAINTENANCE: WHITE PAPER

I enclose a second draft of the statement my Secretary of State is proposing to make to the House on Monday 29 October. This reflects a discussion with both the Secretary of State and Parliamentary Under Secretary and has been shortened to meet the Lord President's concern about the demands on Parliamentary time.

My Secretary of State proposes to do further work on the statement before copying it more widely to colleagues tomorrow afternoon. At this stage he is particularly concerned to ensure that all the major themes are covered, and would therefore welcome any comments the Lord Chancellor may have.

I am copying this letter to the Private Secretary to the Lord President and Andrew Dunlop of the Policy Unit.

Debbie Heigh.

DEBBIE HEIGH
Private Secretary

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Our proposals will deliver:

* a single system available to all.

* consistent and predictable decisions about how much maintenance is to be paid

* Payments that bear a realistic relationship to the costs of caring for a child.

* A fair and reasonable way of deciding maintenance so it does not become a contest between parents to the detriment of the children.

* Regular reviews of maintenance.

* A chance for children to share in their parents' standard of living.

* Continuing incentives for absent parents to work and to go on working.

And, we want to help caring parents who are ready and able to go to work to do so.

We do not want children to become dependent on Income Support whenever this can be avoided. It is not right that taxpayers should shoulder that responsibility if parents are able to do it themselves. After all, taxpayers include other families who are bringing up children.

To achieve these objectives we are introducing three important measures. The first is a formula for the calculation of maintenance. The second is a Child Support Agency which will assess and collect and enforce maintenance. The third is the introduction of changes to the social security benefits which are paid to parents who work.

The formula will consist of three elements. Firstly, a maintenance bill which represents the day to day costs of caring for a child as measured by Income Support rates. All parents should pay it if they can afford to do so. The size of the bill depends on the number and age of the children.

Secondly, an exempt income which the parent keeps before he pays any maintenance at all. So from his take home pay he keeps enough to meet his own necessary expenses, and his housing costs and the costs of any other children he is liable to care for. In addition there will be a protected level of income which is higher than Income Support. Nobody who is working will ever be left with less than that.

Thirdly, maintenance will be paid from the <u>remaining</u> income. We believe it is right that, once his expenses have been met, he should share the remaining income equally with his children until the maintenance bill has been paid. In most cases, this will mean that the absent parent will keep between two thirds and three quarters of his net - post tax - income. Those who can afford to meet the maintenance bill will continue to contribute to their children but at a much lower rate. Children are entitled to share in their parents' standard of living.

Where the caring parent has enough income, she will also be expected to contribute towards the maintenance bill. Both parents are liable to support their children.

We hope to apply this formula from early in 1992.

Absent parents who are receiving Income Support have the same obligations towards their children as any other parents. As a general rule, they will be expected to make a nominal contribution from their Income Support for the maintenance of their children.

The second measure is the Child Support Agency. It will have responsibility for tracing absent parents, assessing, collecting and where necessary enforcing maintenance payments. It will need powers to make a legally binding assessment, to require the provision of information and to determine the method of payment. It will be required to review the maintenance payable every year. In Great Britain, the Agency will operate as a Next Steps executive agency within my department. The Secretary of State for Northern Ireland will make similar arrangements in Northern Ireland.

When the Agency is fully operational, the courts will no longer decide applications for child maintenance or applications to vary existing awards. The courts will retain jurisdiction over related matters which arise when parents separate or divorce. These matters include residence of and contact with children, disputed paternity, property settlements and spousal maintenance.

Parents may choose to apply to the agency or make their own private arrangements. The details of the formula will be published and they can use the formula themselves.

When the caring parent is receiving Income Support or Family Credit for herself and the children she will be obliged to use the Agency's services. That is to say when the taxpayer can be seen to have an interest. If a parent unreasonably declines to seek maintenance, it will be possible to make some deduction from her adult allowance but not of course, from any payment to the children themselves. There will, of course, be exceptions for those rare circumstances where it is not in the interests of the children to seek maintenance.

✓ Some Examples of exceptions should be given eg. rape, incest etc.

The third measure, and one to which I attach great importance, is more help for those parents looking after children who want to go to work. There are many of them and receiving maintenance will in itself help them to work. It provides an invaluable bridge between reliance on Income Support and the world of work, as it is in addition to their earnings. But we believe that we should offer further help still. We will be making two significant changes in the rules for benefits paid to working people.

To coincide with the introduction of the formula, we will introduce a maintenance disregard of £15 per week. The first £15 of maintenance paid will be ignored for the purposes of calculating entitlement to Family Credit, Housing Benefit or Community Charge Benefit.

At the same time we will reduce the number of hours work which qualify for Family Credit from 24 hours a week to 16 hours a week. Similar adjustments will be made to the rules for receipt of Income Support. This will apply to all claimants. It will be of particular value to lone parents. It will be easier for them to combine work with their responsibilities for caring for children. No one will lose from this change because full protection will be provided.

These measures will make it easier for parents to achieve independence through their own efforts. The choice must be the parent's own. But if they wish to work, it is right that we should take steps to help them do so.

We will bring forward legislation which provide for the use of the formula, the powers of the Agency and rights of appeal against the Agency's decisions. We are giving further consideration to the precise form of the appeals.

Mr Speaker, this is an integrated package of important measures which will help children. Where maintenance is paid it advances the interests of all.

It is in the interests of the children that they should be maintained by their parents. Maintenance provides them with a reliable source of income and they learn about the responsibilities which family members owe to each other.

It is in the interest of the caring parents. Maintenance provides them with a bridge into work and greater independence.

I am sure that many on all sides in this House will wish to support and commend these proposals.

DEPARTMENT OF SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 071-210 3000
From the Secretary of State for Social Security

P/A

Prime Minister

(2)

The final version of the Social Security Uprating statement. DSS accepted two of our three points without difficulty. But on the question of extra payments to help meet 'start-up' costs of beginning a family, we did at least manage to include a reference to the new mother. But para 36 is not very well drafted.

BHP 24/10

24 October 1990

POLICY IN CONFIDENCE

Barry Potter Esq
Private Secretary
10 Downing Street
London
SW1A

Dear Barry

I enclose a redraft of the Uprating Statement to be made later today.

Yours

Helen.

HELEN DUDLEY
Private Secretary

5.10 → 52
8.15 → 83.25
2.3 bn

DRAFT UP-RATING STATEMENT

1. With permission, Mr Speaker, I wish to make a statement about the up-rating of social security benefits. This will take place for most benefits in the first full week of the tax year - that is to say, the week beginning 8 April. The necessary statutory instruments applying both to Great Britain and Northern Ireland, will in due course be laid before both Houses for debate.

2. As is customary, I will deal first with the main National Insurance benefits, including most notably the Retirement Pension which now goes to some 10 million people. The basis for the up-rating is the latest available figure for the increase in the Retail Price Index: the 10.9 per cent rise recorded for the year to September 1990.

3. The Retirement Pension will accordingly rise by £5.10 a week for a single person, from £46.90 to £52.00, and by £8.15 a week for a couple, from £75.10 to £83.25. This increase alone will cost some £2.3 billion, underlining once again our clear and continuing commitment to maintaining the pension's value.

4. Unemployment Benefit will rise from £37.35 to £41.40 for a single person and from £60.40 to £66.95 for a couple; and sickness benefit from £35.70 to £39.60 for a single person and from £57.80 to £64.10 for a couple.

5. National Insurance Invalidity Benefit will go up in line with the Retirement Pension. There will also be a 10.9 per cent increase in all other non-income-related benefits related to disabled people or those who are sick for a long period - Severe Disablement Allowance, Industrial Injuries Benefits, War Disablement Pensions, Invalid Care Allowance, Mobility Allowance and Attendance Allowance. The 615,000 people now receiving Mobility Allowance will see it rise by nearly £3 a week to £29.10. For the three-quarters of a million people now receiving Attendance Allowance, there will be an increase of £2.75, to £27.80, in the lower rate, and of over £4, to £41.65, in the higher rate.

6. The age-related additions known as Invalidity Allowances, currently confined to those receiving Invalidity Benefit but being extended in December to give up to £10 a week extra to some 275,000 people receiving the non-contributory Severe Disablement Allowance, will rise further in April to a maximum of £11.10.

7. Similarly, 10.9 per cent increases will take place in Widows Pensions including Widowed Mothers Allowance, War Pensions, and all public service pensions, together with the special Ministry of Defence payment to the pre-1973 war widows, which my rt. hon friend the Secretary of State for Defence will raise from £40 to £44.36 per week.

8. For the income-related benefits - Income Support, Housing Benefit, Community Charge Benefit and Family Credit - the up-rating will be based, again as usual, on the RPI less housing costs. This is simply because, for those receiving these benefits, help with rent is available through Housing Benefit or help with mortgage interest is given to those on Income Support.

9. This index rose by 8.1 per cent in the year to September 1990, and the relevant benefit rates, with one exception to which I will come later, will go up accordingly. Thus Income Support for a single person under 25 will go from £28.80 to £31.15; the rate for an older single person from £36.70 to £39.65; and the higher pensioner premium from £17.05 to £18.45. For a family on Income Support with two children aged 10 and 12, benefit will rise by £7.75 a week to £103.30, plus full mortgage interest if they have been on benefit for more than six months, or full rent if they are tenants, and eighty per cent of their community charge.

10. On a detailed point, but one of considerable importance to the small number of families and individuals affected, I intend to relax the rule that at present automatically ends the Income Support of young people on their 19th birthday, even if they are still completing their studies at school. Proposals to allow benefit to continue to be paid in these circumstances will be referred to the Social Security Advisory Committee next week.

11. I turn next to Statutory Sick Pay and Statutory Maternity Pay, which as the House is aware, are both paid through employers. The link between the two schemes is frankly somewhat artificial resting more on considerations of administrative convenience than of consistency in structure or purpose. I have concluded that the sensible development of policy of both fields would now be better served by treating them separately.

12. So far as SSP is concerned, I propose to build on the re-structuring undertaken last year, taking account of the considerations I outlined to the House at that time. Occupational sick pay schemes have grown to such an extent that over 90 per cent of the work force now work for employers providing this cover, reflecting what is in my view a proper acceptance by employers of a much greater responsibility to cover short-term sickness amongst their employees. This in turn means that, for the great majority of those in work, the rates of SSP bear little or no relation to the amount they actually receive when sick. In these circumstances it is better for additional resources from the taxpayer to be concentrated more clearly on those least likely to have occupational provision, or in other areas of social security for which employers cannot be expected to provide.

13. I therefore propose to up-rate fully, from £39.25 to £43.50, the lower of the two SSP rates, which goes to the lower-paid employees who are generally less likely to be covered by occupational schemes; to extend the coverage of this rate across the whole range of earnings bands within which employers pay lower rates of contributions, which currently covers employees earning less than £175 a week; and to leave the higher rate of SSP unchanged at £52.50. These changes will reduce expenditure by about £100 million in 1991-2, while fully protecting the lower-paid and with little or no effect for the great majority of others.

14. I intend also to adjust the arrangements under which employers are fully re-imbursed, by deduction from their remittances of National Insurance contributions, for the whole of their expenditure on SSP plus an amount to cover payments of such contributions on SSP itself.

I propose instead to move to 80 per cent re-imbursement. This will reduce public expenditure in this area by about £180 million in 1991-92. At the same time however, I propose to make some offsetting reductions in the rates of employers National Insurance contributions. Full details will be given in the normal statement about contributions which is made at the time of the Chancellor's Autumn Statement. But I can indicate now that my intention is to reduce each of the lower rates - those which currently apply in respect of employees earning up to £175 - by 0.4 per cent, at a revenue cost of about £150 million, and to reduce the standard rate by 0.05 per cent, at a further revenue cost of about £120 million. This overall reduction in employers' contributions of some £270 million takes account also of the compensation employers currently receive for contributions paid on SSP itself. Legislation will be required, and we will be looking for an early opportunity to implement these changes.

15. The arrangements for Statutory Maternity Pay, where occupational cover is very much less extensive, will be left entirely unchanged, except for any minor modifications needed in consequence of the separation from SSP. That separation, however, enables me to go further on the standard rate of SMP than I have proposed for SSP. I intend not only to increase it by the RPI, which would take it from £39.25 to £43.50, but by a further £1 a week to £44.50. An additional £1 will also be added to the National Insurance Maternity Allowance, taking it from £35.70 to £40.60 instead of the £39.60 which an RPI up-rating alone would have indicated. There will thus be a real increase in benefit for some 315,000 mothers-to-be in the course of a year, at a cost of about £5 million.

16. Apart from this increase in maternity pay, my proposals on SSP, which I believe strike a sensible new balance in the partnership between the State and employers which has developed in this field, open the way to a number of other important improvements both small and large.

17. In turning to those improvements, I should make one point clearly to the House. This is that support for families does not relate only to families with children, important though that is. It must acknowledge responsibilities towards the old as well as the young, and not least the particular pressures families can face arising from disability, or the need for special care. In framing my proposals I have sought to take account of all those strands

18. I come first to the needs of disabled people and their carers, where we are already carrying through the major programme described in my up-rating statement last year. Last April we made real increases in the disability premiums in Income Support, Housing Benefit and Community Charge Benefit, including in particular those for children; extended Mobility Allowance to the deaf-blind; and extended Attendance Allowance to disabled babies under 2. This month we have introduced a carers' premium into Income Support, and extended Attendance Allowance to the terminally ill without the normal time limit. In December we shall make the increases in Severe Disablement Allowance to which I have already referred. And we are preparing new benefits for introduction in 1992 to help those disabled people who wish to work and further extend help with disability costs.

19. Against that background, I cannot of course propose further measures on the same scale. But what I can and will do is to make five more specific improvements specifically directed at the needs of some of the most severely disabled people and their carers.

20. The Independent Living Fund, now providing extra help - averaging £74 a week but in some cases several hundred pounds a week - to some 6,000 severely disabled people in the community, will have its resources nearly doubled to £62 million next year. It will thus have risen twelvefold, from an initial £5 million in only three years.

21. We shall make an immediate additional grant to Motability of £250,000 in the current year, and £1 million a year thereafter, to enhance the assistance it can give with the expensive adaptation of cars which severely disabled people often need.

22. I intend too to modify Mobility Allowance regulations to help those particularly unfortunate people who suffer the amputation of both legs. The House will be aware of two recent cases - Mrs Sandra Stones in Durham and Sergeant Andy Mudd in Colchester - where either Mobility Allowance was withdrawn or doubt cast on continuing entitlement. While cases in doubt may be resolved by review or appeal - as has indeed already happened in the case of Sergeant Mudd - it seems to me that we ought to do everything possible to avoid this sort of uncertainty and the distress it can cause. I therefore propose an amendment to put the payment of Mobility Allowance in such cases beyond doubt.

23. I propose also two further useful improvements for carers. The amount which can be earned without affecting entitlement to Invalid Care Allowance, increased last year from £12 to £20 a week, will in April go up by a further 50 per cent to £30 a week. And I intend to provide that the carers' premium just introduced in Income Support, which as things stand would cease immediately on the death of the person being cared for, can continue to be paid for up to eight weeks thereafter.

24. Next, pensioners. As I have said on a number of occasions in the House and elsewhere, in welcoming the rise in pensioners real average net incomes which has taken place as a result of the spread of occupational and personal pensions and the growth of savings, we must not overlook those who have not yet gained from those trends.

25. I therefore propose to make this year a real increase in the basic pensioner premium for those aged 60-74 in Income Support, Housing Benefit and Community Charge Benefit, which will go up by £1 a week more for a single pensioner, and £1.50 more for a couple, than in a straightforward up-rating. It will thus rise by £1.95 from £11.80 to £13.75 for a single pensioner and by £2.95 from £17.95 to £20.90 for a couple.

26. This will cost nearly £80 million, and assist some 3.5 million people through Income Support, Housing Benefit and Community Charge Benefit. Taken together with the premium increases for the older and more disabled pensioners which took place in October 1989, it means that over eighteen months there will have been a real increase in every one of the premiums applying to around 6 million less well-off pensioners, at a total cost of about £300 million.

27. I propose also, thirdly, a major upward adjustment in Income Support in a field which brings together the interests of both elderly and disabled people and the families to which they belong: the limits relating to residential care and nursing homes.

28. The survey of costs we commissioned from Price Waterhouse to give us additional information in this field is being placed in the Library today. In brief, it shows that, while the limits for residential care are reasonably close to median costs across the country, those for nursing homes are significantly too low; but it does not provide evidence of a significantly clear pattern of geographical variation, except for Greater London, to justify the introduction of further such variations at this stage.

29. What I now propose takes account both of the Price Waterhouse results and of the many other representatives to us by voluntary and charitable bodies and organisations of home owners.

30. For residential care, the basic limit will rise by £5 a week to £160. There will be larger increases of £15 to £185 for the category covering the very dependent and blind elderly, which includes for example Alzheimers Disease cases; and for those covering mentally handicapped, mentally ill and physically disabled people.

31. For nursing homes, the increases will be much larger: £45 a week, to £255 a week, for the main category catering for the elderly, and also for the mentally ill; £35, to £260 a week, for the mentally handicapped; and £35, to £290 a week, for the physically disabled. The increase for terminal illness homes will be somewhat smaller, at

£15 to £275 a week, taking account of the fact that this type of home received the largest increases last year, that the distinction between these homes and others is becoming increasingly artificial, and that voluntary hospices - many of which do not seek to make use of Income Support anyway - are now receiving extra financial help specially geared to their needs under the arrangements introduced this year by my Rt hon and learned Friend the Secretary of State for Health.

32. Additionally, I propose to introduce a special further nursing home supplement in Greater London to take it from £23 to £33 a week. Thus for an ordinary nursing home in Greater London the overall increase will be £55 a week. And the addition for personal expenses will rise to £11.40 a week at a cost of £10 million.

33. The total costs of these increases will be some £235 million. Together with those made in April and August this year, Income Support expenditure on those in homes will have risen by over £400 million a year in quite a short period - and in addition to the more than £1 billion it had already reached by the end of March this year.

34. As the House knows, pending the changes now planned for 1993, the Income Support limits in this field are, and always have been, designed to help towards not only income maintenance but also housing and care costs. It has never been the intention, nor is it sensible, that in the generality of cases Housing Benefit itself should be available as an alternative to Income Support. An anomaly exists in the regulations, which has enabled such claims to be made; and in the light of the large increases in limits which I have announced, I intend to consult on amendments to re-establish the policy intention more clearly.

35. Last but not least, Mr Speaker, I intend to make an increase in Child Benefit, which is and will remain a strong element in our policies for family support. It will not however surprise the House that, in view of what I said earlier about considering the needs of families more broadly, and of the major improvements I have just announced, that I am not able simply to up-rate it across the board, which would have a gross cost of some £500 million.

36. In fulfilling my statutory duty of review, I have therefore looked not only at whether there should be an increase, but at what form it should take to make the most effective use of the resources I am able to make available. I have concluded that the right course this year is to make an increase which gives a worthwhile amount to all mothers, while at the same time recognising that for the great majority of parents it is the arrival of the first child which has much the largest impact on their finances. This is not only because of the initial costs they incur, but because, in a world where the overwhelming majority of women work while they are childless, but most feel it necessary or right to give up work, or work less, for some considerable time thereafter, it is frequently associated with a sharp reduction in the family income.

37. I therefore propose this year an increase which acknowledges that fact by making an additional payment for the first or eldest eligible child. It will be of £1 a week, payable of course normally to the mother, and in addition to the continued payment of £7.25 a week for each child. Since it will go to every family, and will be larger than an RPI increase in One Parent Benefit - itself originally defined as a payment for the first or eldest child - would have been, I do not propose on this occasion to increase that benefit as well.

38. The measure will complement what we have already done in recent years to steer some £350 million of real extra help to low-income families through Income Support and Family Credit. It will give an extra £1 a week to every mother in nearly 7 million families, at a gross cost of over £350 million and a net cost of £260 million.

39. Mr Speaker, this up-rating statement will result in extra expenditure of nearly £5 billion, and take the social security budget to a total of £66 billion a year. But more important than those figures is what it does in terms of people. It helps families with children, and families-to-be. It helps large numbers of less-well-off pensioners. It will ease the anxieties of families concerned with the care of elderly or disabled relatives, and of those relatives themselves. And it builds on what we are already doing to give greater help to disabled people.

40. In short, it carries forward the re-shaping of our social security system, conceived in the 1940s, to meet the needs of the 1990s.

DEPARTMENT OF SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 071-210 3000
From the Secretary of State for Social Security

Barry Potter Esq
Private Secretary
10 Downing Street
London
SW1A

24 October 1990

Dear Barry,

SOCIAL SECURITY UPRATING

I enclose a copy of the final text of the statement which my Secretary of State is making this afternoon.

I am copying this to the Private Secretaries of all members of the Cabinet, to Murdo MacLean and to Sonia Phippard.

Yours,
Stuart

STUART LORD
Principal Private Secretary

UP-RATING STATEMENT

1. With permission, Mr Speaker, I wish to make a statement about the up-rating of social security benefits. This will take place for most benefits in the first full week of the tax year - that is to say, the week beginning 8 April. The necessary statutory instruments applying both to Great Britain and Northern Ireland, will in due course be laid before both Houses for debate.

2. As is customary, I will deal first with the main National Insurance benefits, including most notably the Retirement Pension which now goes to some 10 million people. The basis for the up-rating is the latest available figure for the increase in the Retail Price Index: the 10.9 per cent rise recorded for the year to September 1990.

3. The Retirement Pension will accordingly rise by £5.10 a week for a single person, from £46.90 to £52.00, and by £8.15 a week for a couple, from £75.10 to £83.25. This increase alone will cost some £2.3 billion, underlining once again our clear and continuing commitment to maintaining the pension's value.

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5. National Insurance Invalidity Benefit will go up in line with the Retirement Pension. There will also be a 10.9 per cent increase in all other non-income-related benefits for disabled people or those who are sick for a long period - Severe Disablement Allowance, Industrial Injuries Benefits, War Disablement Pensions, Invalid Care Allowance, Mobility Allowance and Attendance Allowance. The 615,000 people now receiving Mobility Allowance will see it rise by nearly £3 a week to £29.10. For the three-quarters of a million people now receiving Attendance Allowance, there will be an increase of £2.75, to £27.80, in the lower rate, and of over £4, to £41.65, in the higher rate.

6. The age-related additions known as Invalidity Allowances, currently confined to those receiving Invalidity Benefit but being extended in December to give up to £10 a week extra to some 100,000 people receiving the non-contributory Severe Disablement Allowance, will rise further in April to a maximum of £11.10.

7. Similarly, 10.9 per cent increases will take place in Widows Pensions including Widowed Mothers Allowance, War Pensions, and all public service pensions, together with the special Ministry of Defence payment to the pre-1973 war widows, which my rt. hon friend the Secretary of State for Defence will raise from £40 to £44.36 per week.

8. For the income-related benefits - Income Support, Housing Benefit, Community Charge Benefit and Family Credit - the up-rating will be based, again as usual, on the RPI less housing costs. This is simply because, for those receiving these benefits, help with rent is available through Housing Benefit or help with mortgage interest through Income Support itself.

9. This index rose by 8.1 per cent in the year to September 1990, and the relevant benefit rates, with one exception to which I will come later, will go up accordingly. Thus Income Support for a single person under 25 will go from £28.80 to £31.15; the rate for an older single person from £36.70 to £39.65; and the higher pensioner premium from £17.05 to £18.45. For a family on Income Support with two children aged 10 and 12, benefit will rise by £7.75 a week to £103.30, plus full mortgage interest if they have been on benefit for more than six months, or full rent if they are tenants, and eighty per cent of their community charge.

10. I turn next to Statutory Sick Pay and Statutory Maternity Pay, which as the House is aware, are both paid through employers. The link between the two schemes is frankly somewhat artificial resting more on considerations of administrative convenience than of consistency in structure or purpose. I have concluded that the sensible development of policy of both fields would now be better served by treating them separately.

11. So far as SSP is concerned, I propose to build on the re-structuring undertaken last year, taking account of the considerations I outlined to the House at that time. Occupational sick pay schemes have grown to such an extent that over 90 per cent of the work force now work for employers providing this cover, reflecting what is in my view a proper acceptance by employers of a much greater responsibility to cover short-term sickness amongst their employees. This in turn means that, for the great majority of those in work, the rates of SSP bear little or no relation to the amount they actually receive when sick. In these circumstances it is better for additional resources from the taxpayer to be concentrated more clearly on those least likely to have occupational provision, or in other areas of social security for which employers cannot be expected to provide.

12. I therefore propose to up-rate fully, from £39.25 to £43.50, the lower of the two SSP rates, which goes to the lower-paid employees who are generally less likely to be covered by occupational schemes; to extend the coverage of this rate across the whole range of earnings bands within which employers pay lower rates of contributions, which currently covers employees earning less than £175 a week; and to leave the higher rate of SSP unchanged at £52.50. These changes will reduce expenditure by about £100 million in 1991-2, while fully protecting the lower-paid and with little or no effect for the great majority of others.

13. I intend also to adjust the arrangements under which employers are fully re-imbursed, by deduction from their remittances of National Insurance contributions, for the whole of their expenditure on SSP plus an amount to cover payments of such contributions on SSP itself. I propose instead to move to 80 per cent re-imbursement. This will reduce public expenditure in this area by about £180 million in 1991-92 in addition to the £100 million to which I have just referred. At the same time however, I propose to make some offsetting reductions in the rates of employers National Insurance contributions. Full details will be given in the normal statement about contributions which is made at the time of the Chancellor's Autumn Statement. But I can indicate now that my intention is to reduce each of the lower rates - those which currently apply in respect of employees earning up to £175 - by at least one quarter of a per cent, and to reduce the standard rate by 0.05 per cent. These changes will reduce employers' contributions, by something over £200 million, and take account also

of the compensation employers currently receive for contributions paid on SSP itself. These changes to employers' National Insurance contributions will go a considerable way in helping employers, particularly smaller employers who tend to have lower paid employees, to meet any extra costs which might otherwise arise from the new arrangements. Legislation will be required.

14. The arrangements for Statutory Maternity Pay, where occupational cover is very much less extensive, will be left entirely unchanged, except for any minor modifications needed in consequence of the separation from SSP. That separation, however, enables me to go further on the standard rate of SMP than I have proposed for SSP. I intend not only to increase it by the RPI, which would take it from £39.25 to £43.50, but by a further £1 a week to £44.50. An additional £1 will also be added to the National Insurance Maternity Allowance, taking it from £35.70 to £40.60 instead of the £39.60 which an RPI up-rating alone would have indicated. There will thus be a real increase in benefit for some 315,000 mothers-to-be in the course of a year, at a cost of about £5 million.

15. Apart from this increase in maternity pay, my proposals on SSP, which I believe strike a sensible new balance in the partnership between the State and employers which has developed in this field, open the way to a number of other important improvements both small and large.

16. In turning to those improvements, I should make one point clearly to the House. This is that support for families does not relate only to families with children, important though that is. It must acknowledge responsibilities towards the old as well as the young, and not least the particular pressures families can face arising from disability, or the need for special care. In framing my proposals I have sought to take account of all those strands.

17. I come first to the needs of disabled people and their carers, where we are already carrying through the major programme described in my up-rating statement last year. Last April we made real increases in the disability premiums in Income Support, Housing Benefit and Community Charge Benefit, including in particular those for children; extended Mobility Allowance to the deaf-blind; and extended Attendance Allowance to disabled babies under 2. This month we have introduced a

carers' premium in the income-related benefits, and extended Attendance Allowance to meet the special needs of the terminally ill. In December we shall make the increases in Severe Disablement Allowance to which I have already referred. And we are preparing new benefits for introduction in 1992 to help those disabled people who wish to work and further extend help with disability costs.

18. Against that background, I cannot of course propose further measures on the same scale. But what I can and will do is to make five more specific improvements particularly directed at the needs of some of the most severely disabled people and their carers.

19. The Independent Living Fund, now providing extra help - averaging £74 a week but in some cases several hundred pounds a week - to some 6,000 severely disabled people in the community, will have its resources nearly doubled to £62 million next year. It will thus have risen twelvefold, from an initial £5 million in only three years.

20. We shall make an additional grant to Motability of £1 million a year to enhance the assistance it can give with the expensive adaptation of cars which severely disabled people often need.

21. I intend too to modify the Mobility Allowance regulations to help those particularly unfortunate people who suffer the amputation of both legs. The House will be aware of two recent cases - Mrs Sandra Stones in Durham and Sergeant Andy Mudd in Colchester - where either Mobility Allowance was withdrawn or doubt cast on continuing entitlement. While cases in doubt may be resolved by review or appeal - as I am glad to say has indeed already happened in the case of Sergeant Mudd - it seems to me that we ought to do everything possible to avoid this sort of uncertainty and the distress it can cause. I therefore propose an amendment to put the payment of Mobility Allowance in such cases beyond doubt.

22. I propose also two further useful improvements for carers. The amount which can be earned without affecting entitlement to Invalid Care Allowance, increased last year from £12 to £20 a week, will in April go up by a further 50 per cent to £30 a week. And I intend to provide that the carers' premium just introduced in Income Support, which as things stand would cease immediately on the death of the

person being cared for, can continue to be paid for up to eight weeks thereafter.

23. Next, pensioners. As I have said on a number of occasions in the House and elsewhere, in welcoming the rise in pensioners real average net incomes which has taken place as a result of the spread of occupational and personal pensions and the growth of savings, we must not overlook those who have not yet gained from those trends.

24. I therefore propose to make this year a real increase in the basic pensioner premium for those aged 60-74 in Income Support, Housing Benefit and Community Charge Benefit, which will go up by £1 a week more for a single pensioner, and £1.50 more for a couple, than in a straightforward up-rating. It will thus rise by £1.95 from £11.80 to £13.75 for a single pensioner and by £2.95 from £17.95 to £20.90 for a couple, contributing to total increases of £4.90 and £7.60 respectively in their Income Support.

25. This will cost nearly £80 million, and will assist some 400,000 pensioners directly through Income Support, and well over 1.5 million through Housing Benefit and Community Charge Benefit. Taken together with the premium increases for the older and more disabled pensioners which took place in October 1989, it means that over eighteen months there will have been a real increase in every one of the premiums applying to around 6 million less well-off pensioners, at a total cost of about £300 million.

26. Thirdly, I am making a major upward adjustment in Income Support in a field which brings together the interests of both elderly and disabled people and the families to which they belong: the limits relating to residential care and nursing homes.

27. The survey of costs we commissioned from Price Waterhouse to give us additional information in this field is being placed in the Library today. In brief, it shows that, while the limits for residential care are reasonably close to median costs across the country, those for nursing homes are significantly too low; but it does not provide evidence of a sufficiently clear pattern of geographical variation, except for Greater London, to justify the introduction of further such variations at this stage.

28. What I now propose takes account both of the Price Waterhouse results and of the many other representations to us by voluntary and charitable bodies and organisations of home owners, as well as by many honourable Members on behalf of their constituents.

29. For residential care, the basic limit will rise by £5 a week to £160. There will be larger increases of £15 to £185 for the category covering the very dependent and blind elderly, which includes for example Alzheimers Disease cases; and for those covering mentally handicapped, mentally ill and physically disabled people.

30. For nursing homes, the increases will be much larger: £45 a week, to £255 a week, for the main category catering for the elderly, and also for the mentally ill; £35, to £260 a week, for the mentally handicapped; and £35, to £290 a week, for the physically disabled. The increase for terminal illness homes will be somewhat smaller, at £15 to £275 a week, taking account of the fact that this type of home received the largest increases last year, that the distinction between these homes and others is becoming increasingly artificial, and that voluntary hospices - many of which do not seek to make use of Income Support anyway - are now receiving extra financial help specially geared to their needs under the arrangements introduced this year by my Rt hon and learned Friend the Secretary of State for Health.

31. Additionally, I propose to introduce a special further nursing home supplement in Greater London to take it from £23 to £33 a week. Thus for an ordinary nursing home in Greater London the overall increase will be £55 a week.

32. The total cost of these increases will be some £235 million. Together with those made in April and August this year, Income Support expenditure on those in homes will have risen by over £400 million a year in quite a short period - over and above the more than £1 billion it had already reached by the end of March this year.

33. As the House knows, pending the changes now planned for 1993, the Income Support limits in this field are, and always have been, designed to help towards not only income maintenance but also housing and care costs. It has never been the intention, nor is it sensible, that in the generality of cases Housing Benefit itself should be available as an alternative to Income Support. An anomaly exists in

the regulations, which has enabled such claims to be made; and in the light of the large increases in limits which I have announced, I intend to consult on amendments to re-establish the policy intention more clearly.

34. Last but not least, Mr Speaker, I intend to make an increase in Child Benefit, which is and will remain a strong element in our policies for family support. It will not however surprise the House that, in view of what I said earlier about considering the needs of families more broadly, and of the major improvements I have just announced, that I am not able simply to up-rate it across the board, which would have a gross cost of some £500 million and a net cost of some £380 million.

35. In fulfilling my statutory duty of review, I have therefore looked not only at whether there should be an increase, but at what form it should take to make the most effective use of the resources I am able to make available. I have concluded that the right course this year is to make an increase which gives a worthwhile amount to all mothers, and which will be particularly welcome to new mothers because it recognises that for the great majority of parents it is the arrival of the first child which has much the largest impact on their finances. This is not only because of the initial costs they incur, but because, in a world where the great majority of women work while they are childless, but most feel it necessary or right to give up work, or work less, for some considerable time thereafter, it is frequently associated with a sharp reduction in the family income.

36. I therefore propose this year an increase which acknowledges that fact by making an additional payment for the first or eldest eligible child. It will be of £1 a week, payable of course normally to the mother, and in addition to the continued payment of £7.25 a week for each child. Since it will go to every family, and will be larger than an RPI increase in One Parent Benefit - itself originally defined as a payment for the first or eldest child - would have been, I do not propose on this occasion to increase that benefit as well.

37. The measure will complement what we have already done in recent years to steer some £350 million of real extra help to low-income families through Income Support and Family Credit. It will give an extra £1 a week to every mother in nearly 7 million families, at a gross cost of over £350 million and a net cost of £260 million.

38. Mr Speaker, by choosing what I believe to be sensible priorities, I have been able to make a number of important improvements in social security, especially for families, without adding overall what is in any case the very large cost this year of maintaining our up-rating commitments.

39. What I have announced helps families with children, and families-to-be. It helps large numbers of less-well-off pensioners. It will ease the anxieties of families concerned with the care of elderly or disabled relatives, and of those relatives themselves. And it builds on what we are already doing to give greater help to disabled people.

40. In short, it carries forward the re-shaping of our social security system, conceived in the 1940s, to meet the needs of the 1990s.

DEPARTMENT OF SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 071-210 3000
From the Secretary of State for Social Security

POLICY IN CONFIDENCE

Barry Potter Esq
Private Secretary
10 Downing Street
London
SW1A

24 October 1990

Dear Barry

I enclose a redraft of the Uprating Statement to be made later today.

Yours

Helen.

HELEN DUDLEY
Private Secretary

DRAFT UP-RATING STATEMENT

1. With permission, Mr Speaker, I wish to make a statement about the up-rating of social security benefits. This will take place for most benefits in the first full week of the tax year - that is to say, the week beginning 8 April. The necessary statutory instruments applying both to Great Britain and Northern Ireland, will in due course be laid before both Houses for debate.

2. As is customary, I will deal first with the main National Insurance benefits, including most notably the Retirement Pension which now goes to some 10 million people. The basis for the up-rating is the latest available figure for the increase in the Retail Price Index: the 10.9 per cent rise recorded for the year to September 1990.

3. The Retirement Pension will accordingly rise by £5.10 a week for a single person, from £46.90 to £52.00, and by £8.15 a week for a couple, from £75.10 to £83.25. This increase alone will cost some £2.3 billion, underlining once again our clear and continuing commitment to maintaining the pension's value.

4. Unemployment Benefit will rise from £37.35 to £41.40 for a single person and from £60.40 to £66.95 for a couple; and sickness benefit from £35.70 to £39.60 for a single person and from £57.80 to £64.10 for a couple.

5. National Insurance Invalidity Benefit will go up in line with the Retirement Pension. There will also be a 10.9 per cent increase in all other non-income-related benefits related to disabled people or those who are sick for a long period - Severe Disablement Allowance, Industrial Injuries Benefits, War Disablement Pensions, Invalid Care Allowance, Mobility Allowance and Attendance Allowance. The 615,000 people now receiving Mobility Allowance will see it rise by nearly £3 a week to £29.10. For the three-quarters of a million people now receiving Attendance Allowance, there will be an increase of £2.75, to £27.80, in the lower rate, and of over £4, to £41.65, in the higher rate.

6. The age-related additions known as Invalidity Allowances, currently confined to those receiving Invalidity Benefit but being extended in December to give up to £10 a week extra to some 275,000 people receiving the non-contributory Severe Disablement Allowance, will rise further in April to a maximum of £11.10.

7. Similarly, 10.9 per cent increases will take place in Widows Pensions including Widowed Mothers Allowance, War Pensions, and all public service pensions, together with the special Ministry of Defence payment to the pre-1973 war widows, which my rt. hon friend the Secretary of State for Defence will raise from £40 to £44.36 per week.

8. For the income-related benefits - Income Support, Housing Benefit, Community Charge Benefit and Family Credit - the up-rating will be based, again as usual, on the RPI less housing costs. This is simply because, for those receiving these benefits, help with rent is available through Housing Benefit or help with mortgage interest is given to those on Income Support.

9. This index rose by 8.1 per cent in the year to September 1990, and the relevant benefit rates, with one exception to which I will come later, will go up accordingly. Thus Income Support for a single person under 25 will go from £28.80 to £31.15; the rate for an older single person from £36.70 to £39.65; and the higher pensioner premium from £17.05 to £18.45. For a family on Income Support with two children aged 10 and 12, benefit will rise by £7.75 a week to £103.30, plus full mortgage interest if they have been on benefit for more than six months, or full rent if they are tenants, and eighty per cent of their community charge.

10. On a detailed point, but one of considerable importance to the small number of families and individuals affected, I intend to relax the rule that at present automatically ends the Income Support of young people on their 19th birthday, even if they are still completing their studies at school. Proposals to allow benefit to continue to be paid in these circumstances will be referred to the Social Security Advisory Committee next week.

11. I turn next to Statutory Sick Pay and Statutory Maternity Pay, which as the House is aware, are both paid through employers. The link between the two schemes is frankly somewhat artificial resting more on considerations of administrative convenience than of consistency in structure or purpose. I have concluded that the sensible development of policy of both fields would now be better served by treating them separately.

12. So far as SSP is concerned, I propose to build on the re-structuring undertaken last year, taking account of the considerations I outlined to the House at that time. Occupational sick pay schemes have grown to such an extent that over 90 per cent of the work force now work for employers providing this cover, reflecting what is in my view a proper acceptance by employers of a much greater responsibility to cover short-term sickness amongst their employees. This in turn means that, for the great majority of those in work, the rates of SSP bear little or no relation to the amount they actually receive when sick. In these circumstances it is better for additional resources from the taxpayer to be concentrated more clearly on those least likely to have occupational provision, or in other areas of social security for which employers cannot be expected to provide.

13. I therefore propose to up-rate fully, from £39.25 to £43.50, the lower of the two SSP rates, which goes to the lower-paid employees who are generally less likely to be covered by occupational schemes; to extend the coverage of this rate across the whole range of earnings bands within which employers pay lower rates of contributions, which currently covers employees earning less than £175 a week; and to leave the higher rate of SSP unchanged at £52.50. These changes will reduce expenditure by about £100 million in 1991-2, while fully protecting the lower-paid and with little or no effect for the great majority of others.

14. I intend also to adjust the arrangements under which employers are fully re-imbursed, by deduction from their remittances of National Insurance contributions, for the whole of their expenditure on SSP plus an amount to cover payments of such contributions on SSP itself.

I propose instead to move to 80 per cent re-imbursement. This will reduce public expenditure in this area by about £180 million in 1991-92. At the same time however, I propose to make some offsetting reductions in the rates of employers National Insurance contributions. Full details will be given in the normal statement about contributions which is made at the time of the Chancellor's Autumn Statement. But I can indicate now that my intention is to reduce each of the lower rates - those which currently apply in respect of employees earning up to £175 - by 0.4 per cent, at a revenue cost of about £150 million, and to reduce the standard rate by 0.05 per cent, at a further revenue cost of about £120 million. This overall reduction in employers' contributions of some £270 million takes account also of the compensation employers currently receive for contributions paid on SSP itself. Legislation will be required, and we will be looking for an early opportunity to implement these changes.

15. The arrangements for Statutory Maternity Pay, where occupational cover is very much less extensive, will be left entirely unchanged, except for any minor modifications needed in consequence of the separation from SSP. That separation, however, enables me to go further on the standard rate of SMP than I have proposed for SSP. I intend not only to increase it by the RPI, which would take it from £39.25 to £43.50, but by a further £1 a week to £44.50. An additional £1 will also be added to the National Insurance Maternity Allowance, taking it from £35.70 to £40.60 instead of the £39.60 which an RPI up-rating alone would have indicated. There will thus be a real increase in benefit for some 315,000 mothers-to-be in the course of a year, at a cost of about £5 million.

16. Apart from this increase in maternity pay, my proposals on SSP, which I believe strike a sensible new balance in the partnership between the State and employers which has developed in this field, open the way to a number of other important improvements both small and large.

17. In turning to those improvements, I should make one point clearly to the House. This is that support for families does not relate only to families with children, important though that is. It must acknowledge responsibilities towards the old as well as the young, and not least the particular pressures families can face arising from disability, or the need for special care. In framing my proposals I have sought to take account of all those strands

18. I come first to the needs of disabled people and their carers, where we are already carrying through the major programme described in my up-rating statement last year. Last April we made real increases in the disability premiums in Income Support, Housing Benefit and Community Charge Benefit, including in particular those for children; extended Mobility Allowance to the deaf-blind; and extended Attendance Allowance to disabled babies under 2. This month we have introduced a carers' premium into Income Support, and extended Attendance Allowance to the terminally ill without the normal time limit. In December we shall make the increases in Severe Disablement Allowance to which I have already referred. And we are preparing new benefits for introduction in 1992 to help those disabled people who wish to work and further extend help with disability costs.

19. Against that background, I cannot of course propose further measures on the same scale. But what I can and will do is to make five more specific improvements specifically directed at the needs of some of the most severely disabled people and their carers.

20. The Independent Living Fund, now providing extra help - averaging £74 a week but in some cases several hundred pounds a week - to some 6,000 severely disabled people in the community, will have its resources nearly doubled to £62 million next year. It will thus have risen twelvefold, from an initial £5 million in only three years.

21. We shall make an immediate additional grant to Motability of £250,000 in the current year, and £1 million a year thereafter, to enhance the assistance it can give with the expensive adaptation of cars which severely disabled people often need.

22. I intend too to modify Mobility Allowance regulations to help those particularly unfortunate people who suffer the amputation of both legs. The House will be aware of two recent cases - Mrs Sandra Stones in Durham and Sergeant Andy Mudd in Colchester - where either Mobility Allowance was withdrawn or doubt cast on continuing entitlement. While cases in doubt may be resolved by review or appeal - as has indeed already happened in the case of Sergeant Mudd - it seems to me that we ought to do everything possible to avoid this sort of uncertainty and the distress it can cause. I therefore propose an amendment to put the payment of Mobility Allowance in such cases beyond doubt.

23. I propose also two further useful improvements for carers. The amount which can be earned without affecting entitlement to Invalid Care Allowance, increased last year from £12 to £20 a week, will in April go up by a further 50 per cent to £30 a week. And I intend to provide that the carers' premium just introduced in Income Support, which as things stand would cease immediately on the death of the person being cared for, can continue to be paid for up to eight weeks thereafter.

24. Next, pensioners. As I have said on a number of occasions in the House and elsewhere, in welcoming the rise in pensioners real average net incomes which has taken place as a result of the spread of occupational and personal pensions and the growth of savings, we must not overlook those who have not yet gained from those trends.

25. I therefore propose to make this year a real increase in the basic pensioner premium for those aged 60-74 in Income Support, Housing Benefit and Community Charge Benefit, which will go up by £1 a week more for a single pensioner, and £1.50 more for a couple, than in a straightforward up-rating. It will thus rise by £1.95 from £11.80 to £13.75 for a single pensioner and by £2.95 from £17.95 to £20.90 for a couple.

26. This will cost nearly £80 million, and assist some 3.5 million people through Income Support, Housing Benefit and Community Charge Benefit. Taken together with the premium increases for the older and more disabled pensioners which took place in October 1989, it means that over eighteen months there will have been a real increase in every one of the premiums applying to around 6 million less well-off pensioners, at a total cost of about £300 million.

27. I propose also, thirdly, a major upward adjustment in Income Support in a field which brings together the interests of both elderly and disabled people and the families to which they belong: the limits relating to residential care and nursing homes.

28. The survey of costs we commissioned from Price Waterhouse to give us additional information in this field is being placed in the Library today. In brief, it shows that, while the limits for residential care are reasonably close to median costs across the country, those for nursing homes are significantly too low; but it does not provide evidence of a significantly clear pattern of geographical variation, except for Greater London, to justify the introduction of further such variations at this stage.

29. What I now propose takes account both of the Price Waterhouse results and of the many other representatives to us by voluntary and charitable bodies and organisations of home owners.

30. For residential care, the basic limit will rise by £5 a week to £160. There will be larger increases of £15 to £185 for the category covering the very dependent and blind elderly, which includes for example Alzheimers Disease cases; and for those covering mentally handicapped, mentally ill and physically disabled people.

31. For nursing homes, the increases will be much larger: £45 a week, to £255 a week, for the main category catering for the elderly, and also for the mentally ill; £35, to £260 a week, for the mentally handicapped; and £35, to £290 a week, for the physically disabled. The increase for terminal illness homes will be somewhat smaller, at

£15 to £275 a week, taking account of the fact that this type of home received the largest increases last year, that the distinction between these homes and others is becoming increasingly artificial, and that voluntary hospices - many of which do not seek to make use of Income Support anyway - are now receiving extra financial help specially geared to their needs under the arrangements introduced this year by my Rt hon and learned Friend the Secretary of State for Health.

32. Additionally, I propose to introduce a special further nursing home supplement in Greater London to take it from £23 to £33 a week. Thus for an ordinary nursing home in Greater London the overall increase will be £55 a week. And the addition for personal expenses will rise to £11.40 a week at a cost of £10 million.

33. The total costs of these increases will be some £235 million. Together with those made in April and August this year, Income Support expenditure on those in homes will have risen by over £400 million a year in quite a short period - and in addition to the more than £1 billion it had already reached by the end of March this year.

34. As the House knows, pending the changes now planned for 1993, the Income Support limits in this field are, and always have been, designed to help towards not only income maintenance but also housing and care costs. It has never been the intention, nor is it sensible, that in the generality of cases Housing Benefit itself should be available as an alternative to Income Support. An anomaly exists in the regulations, which has enabled such claims to be made; and in the light of the large increases in limits which I have announced, I intend to consult on amendments to re-establish the policy intention more clearly.

35. Last but not least, Mr Speaker, I intend to make an increase in Child Benefit, which is and will remain a strong element in our policies for family support. It will not however surprise the House that, in view of what I said earlier about considering the needs of families more broadly, and of the major improvements I have just announced, that I am not able simply to up-rate it across the board, which would have a gross cost of some £500 million.

36. In fulfilling my statutory duty of review, I have therefore looked not only at whether there should be an increase, but at what form it should take to make the most effective use of the resources I am able to make available. I have concluded that the right course this year is to make an increase which gives a worthwhile amount to all mothers, while at the same time recognising that for the great majority of parents it is the arrival of the first child which has much the largest impact on their finances. This is not only because of the initial costs they incur, but because, in a world where the overwhelming majority of women work while they are childless, but most feel it necessary or right to give up work, or work less, for some considerable time thereafter, it is frequently associated with a sharp reduction in the family income.

37. I therefore propose this year an increase which acknowledges that fact by making an additional payment for the first or eldest eligible child. It will be of £1 a week, payable of course normally to the mother, and in addition to the continued payment of £7.25 a week for each child. Since it will go to every family, and will be larger than an RPI increase in One Parent Benefit - itself originally defined as a payment for the first or eldest child - would have been, I do not propose on this occasion to increase that benefit as well.

38. The measure will complement what we have already done in recent years to steer some £350 million of real extra help to low-income families through Income Support and Family Credit. It will give an extra £1 a week to every mother in nearly 7 million families, at a gross cost of over £350 million and a net cost of £260 million.

39. Mr Speaker, this up-rating statement will result in extra expenditure of nearly £5 billion, and take the social security budget to a total of £66 billion a year. But more important than those figures is what it does in terms of people. It helps families with children, and families-to-be. It helps large numbers of less-well-off pensioners. It will ease the anxieties of families concerned with the care of elderly or disabled relatives, and of those relatives themselves. And it builds on what we are already doing to give greater help to disabled people.

40. In short, it carries forward the re-shaping of our social security system, conceived in the 1940s, to meet the needs of the 1990s.

POLICY IN CONFIDENCE

DSG

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

24 October 1990

Dear Debbie,

WHITE PAPER ON NEW PROPOSALS FOR CHILD BENEFIT

Thank you for your letter of 23 October setting out how your Secretary of State proposes to respond to the comments made by the Prime Minister and Lord Mackay on the draft White Paper circulated last week.

The Prime Minister has noted this and is in particular content with the draft passage which you quoted covering the handling of deductions for maintenance from the income support of absent parents.

I am copying this letter to Jenny Rowe (Lord Chancellor's Office) and Sonia Phippard (Cabinet Office).

Yours sincerely,

Caroline

Caroline Slocock

Mrs. Debbie Heigh,
Department of Social Security.

POLICY IN CONFIDENCE

POLICY IN CONFIDENCE

cc P.U.

TJS/aw

NBPM at this stage CAS 24/10

PRIVY COUNCIL OFFICE
WHITEHALL. LONDON SW1A 2AT

23 October 1990

Dear Tony

DSS LEGISLATION 1990-91: CHILD MAINTENANCE — with CAS?

I refer to your letter of 16 October drawing together your proposals for legislation next Session, and in particular to your comment that the bill dealing with child maintenance would have to be introduced in the New Year incomplete in a number of respects. You have also circulated a draft White Paper, on which the Prime Minister, James Mackay, Norman Lamont and Michael Howard have commented.

We had a brief word after Cabinet on Thursday about the state of preparation of the bill, and I also spoke to James Mackay. As I said, I am unhappy about embarking on this bill on the basis you propose. It seems to me that, having made an announcement in July on the basis of considerable study, embarked on widespread consultation, and then produced a substantial White Paper, we would be open to justifiable criticism if our proposals when they eventually appeared in the form of a bill were subject to uncertainty and any significant degree of amendment. Instead of seizing and holding the initiative in this politically important area we would be put on the defensive. I do not want that to happen.

I see from James Mackay's letter of 18 October commenting on the draft White Paper that there are a number of what he describes as major policy points outstanding. I suggest that it might be helpful for us to have a brief meeting to review these and any other matters which require to be settled so that the two months between now and introduction of the bill can be used to the best effect. If you and James Mackay agree to this proposal I will ask my office to make the arrangements for a meeting. If you would both find it helpful, I will ask the Cabinet Office to arrange for the preparation of an annotated agenda.

I am copying this letter to James Mackay and also to the Prime Minister and Sir Robin Butler.

Yours ever

Geoffrey

GEOFFREY HOWE

The Rt Hon Tony Newton MP

POLICY IN CONFIDENCE

PERSONAL AND IN CONFIDENCE

ECL

SUBJECT cc MASTER

FILE

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

23 October 1990

Dear Stuart,

SOCIAL SECURITY UPRATING 1991-92

The Prime Minister discussed social security uprating for next year with your Secretary of State, the Chief Secretary and the Chief Whip yesterday.

Copies of this letter should go only to Ministers and officials directly concerned with handling this subject.

The Prime Minister said that she had considered carefully the package of measures proposed by your Secretary of State, following his successful negotiations with the Chief Secretary. A number of points, particularly on the proposed presentation, caused her some concern.

(i) The proposals for 1991-92 involved an addition of £1 per week on child benefit for the first child only; an extra premium for pensioners in receipt of income support; and an addition to the residential care allowance. It would be important not to imply that each measure was modest in scope and cost, in order to make room for all three within a tight overall settlement. There was a danger that the package and each component would look mean-minded.

(ii) The presentation of the proposals on child benefit as a new "family premium" was not attractive. It would be important not to suggest that the child benefit proposals represented a radical new departure in family policy. That would start arguments on the backbenches about the right means of family support.

(iii) The proposals might be criticised as favouring small families. Accordingly there could be objections from such groups as the Child Poverty Action Group and the Catholic Church. It might be difficult to defend in equity £1 extra per week for a family with one child; and £1 extra per week for the family with five children.

PERSONAL AND IN CONFIDENCE

JT

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(ii) The presentation of the proposals on child benefit as a new "family premium" was not attractive. It would be important not to suggest that the child benefit proposals represented a radical new departure in family policy. That would start arguments on the backbenches about the right means of family support.

(iii) The proposals might be criticised as favouring small families. Accordingly there could be objections from such groups as the Child Poverty Action Group and the Catholic Church. It might be difficult to defend in equity £1 extra per week for a family with one child; and £1 extra per week for the family with five children.

JT

(iv) There would also be problems in arguing that the "family premium" was to help with start up costs, and designed to help cushion the loss of income for women giving up work to begin a family. Such a rationale might be true in the long term. But in the short term the extra money would also go to families where the mother had been back to work for many years and the last (or only) child was now in the sixth form.

(v) The case for channelling more help to poorer pensioners was not persuasive. An addition to income support had been paid to those over 75 last year. And pensioners in general would do well out of the overall uprating for next year. Pensions would be going up by 10.9 per cent. For the poorer pensioners on income support, the uprating would be 8.1 per cent (under the Rossi index); housing benefit would cover any increases in rents; and the community charge benefit arrangements were more generous than the previous rate rebates. The case for an addition to child benefit was much stronger.

(vi) In putting forward the final package it would be vital to ensure that the Government would not be forced into further additions to any of the components. That risk seemed to be much greater on child benefit than on other items.

Your Secretary of State said that he and the Chief Secretary had developed the proposed package carefully and cautiously. He was convinced that it could be got through the House. The proposals on child benefit had to be seen against the background of changes in tax allowances over recent years which had not particularly helped families with children. Indeed households comprising families with children had done least well in recent years. Moreover within the group of such families, recent Government action had concentrated further support on poorer families with children. It was now too late to make changes in tax allowances that would have a significant effect before the next election. But it was not too late to act on child benefit. That was why, within the limited resources available from the Chief Secretary, he had given priority to an addition to child benefit. But he would be quite content to examine again the best form of presenting the proposal; and he was not wedded to introducing the concept of a family premium.

The Chief Secretary said that he too saw attractions in the proposals. It was important to bear in mind the risk of legal challenge if there were a further freeze. The Law Officers had advised last year that a freeze would become increasingly at risk of a successful legal challenge. But it would not be right to go as far as full uprating; that would not be affordable given the other measures proposed by the Social Security Secretary. It would also damage the credibility of the whole public expenditure package as a tough settlement in difficult economic circumstances.

The Chief Whip said he had some misgivings about the acceptability of the proposals on child benefit. The Government would be putting forward a halfway house solution: it would not

satisfy those who wanted to see child benefit uprated in full; neither would it please those who wanted a shift away from child benefit towards measures through the tax system. In general, backbenchers had been expecting a further freeze on child benefit; and the issue was not particularly contentious at present. In his view, backbenchers would have accepted a further freeze in this difficult year, thought it might be necessary to make clear that the Government would be reviewing family policy so that new proposals could be included in the manifesto.

The following points were also made in discussion:

(i) The measures to provide additional help for those in residential care and nursing homes should go ahead.

(ii) The future shape of family policy would need to consider a wide range of approaches, including additions to national insurance contributions to fund child support; child tax allowances; and measures to give financial support to women who wished to go out to work while their children were properly looked after. The Prime Minister saw some merit in further measures through the tax system: over 30 years ago a Royal Commission had accepted the principle that, through the tax system, children were entitled to share in the standard of living of their parents.

(iii) It would be easier presentationally to go either for a full uprating or zero uprating of child benefit. But one alternative to the proposed £1 per week for the first child would be to give 50p to each child. This would be more even-handed and would not raise some of the presentational proposals identified during the discussion. The danger however was that it would be seen as mean-minded and that the Government would be pushed to the full uprating.

Summing up the discussion, the Prime Minister said that, before the Social Security Secretary went ahead with the existing proposals on child benefit, residential care allowances and the pensioner premium, he must be satisfied that they could be got through the House. Clearly the principal danger for the Government was being pushed further to uprate child benefit in full. The Secretary of State must weigh this factor carefully in reaching his final decision. If the Social Security Secretary proceeded with the existing proposal on child benefit, it should not be described as a family premium. Instead the focus should be on the difficult overall PES round and the limitation of resources available to the Social Security programme; the desirability of making additional money available to families with children; and the view that the best means of achieving this was by way of a £1 per week addition to child benefit for the first child. Although the pensioner premium was the weakest element in the package, it was too late to change that now. It would be important not to link the three elements of the package in a way which suggested overall meanness. At his own request the Social Security Secretary would give further consideration to whether the £1 per first child option should go forward or whether instead an addition of 50p per child to child benefit

should be announced.

I am copying this letter only to Jeremy Heywood (Chief Secretary's Office) and Murdo Maclean (Chief Whip's Office).

Yours ever,

Barry

(BARRY H. POTTER)

Stuart Lord, Esq.,
Department of Social Security.

2A (a)

MR. TURNBULL

There is one, perhaps obvious, point which emerges from the recent papers and discussions on child benefit.

It is always a possibility that, in the course of annual PES negotiations, Ministers may invent new, or make small shifts in existing policy, in order to secure an agreement on funding for the next three years. Such policy shifts are at present agreed bilaterally of course between the Chief Secretary and the Ministers concerned.

There are at least two reasons why such agreements should be brought to the attention of other Ministers.

(i) Other Ministerial interests may be affected indirectly.

(ii) There are some issues which are so contentious and controversial that they ought to be brought to the attention of the Prime Minister and perhaps other senior Ministers.

One step for the future might be to require any such proposed policy changes to be brought to the attention of the Prime Minister before final bilateral agreement is made. That would hopefully avoid some of the difficulties we have faced over the last week.

Any merit in this idea?

BHP

(BARRY H. POTTER)
23 October 1990

C:\ECONOMIC\CHILDBEN (ECL)

CONFIDENTIAL

PRIME MINISTER (1)

WHITE PAPER ON NEW PROPOSALS FOR CHILD MAINTENANCE

You saw the draft White Paper on the proposals for child maintenance last week and had a number of comments. DSS have been looking at how to redraft the White Paper to take on board your points. There are two points of which you may like to be aware:

- deduction of maintenance payments from the income support of absent parents. Mr Newton had proposed that a nominal deduction of 5% should not be made where the parent is sick, disabled or has a second family. You said that you thought that fathers with a second family should still make a maintenance payment for their abandoned children. Income support includes separate elements for the adult and for the dependent children; and Andrew Dunlop suggested that the deduction should be made from the father's income support so that his second family should not suffer. Mr Newton has returned to argue that in practice the children of the second family would suffer if a nominal deduction is made. The proposed redrafted passage of the White Paper (see flag) side-steps the issue by leaving open the option of making fathers of second families exempt from the deduction without specifically mentioning this as a possibility;

- the responsibility of the step-fathers towards their step-children. The White Paper raised the question of how to deal with the responsibilities of step fathers toward step children. The underlying principle is that children are the financial responsibility of their natural fathers, not step parents. But where the natural father is dead or otherwise genuinely unable to support his children there is a question of whether a step parents financial responsibilities for his step children should be taken into account before assessing his liability for maintenance payments for his natural children. This is largely a technical question but there is

an underlying issue of whether a step-parent's responsibility towards a step family with whom he is living should ever take priority over his responsibility for his natural children. A further consideration is whether step-children can subsequently claim for maintenance against a step parent. These questions are glossed over in the White Paper; and Mr Newton has taken them up separately with Lord Mackay. You do not need to get involved at this stage.

Content with the wording of the White Paper now proposed on deductions from an absent parent's income support?

Yes

CBS

Caroline Slocock
23 October 1990

DEPARTMENT OF SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 071-210 3000
From the Secretary of State for Social Security

POLICY IN CONFIDENCE

Caroline Slocock
Private Secretary
10 Downing Street
London
SW1A 2AA

23 October 1990

Dear Caroline,

WHITE PAPER ON NEW PROPOSALS FOR CHILD MAINTENANCE

Thank you for your letter of 19 October which the Secretary of State has now considered.

I will take each of the points in turn.

On stepchildren, he has replied to the Lord Chancellor expressing the view that we should consider the position of children who have no one other than a step-parent to accept parental responsibility and has agreed to the Lord Chancellor's alternative suggestion that this passage should be expressed in much more provisional terms.

On deduction rates, the 15 per cent after the maintenance bill is met is now described as illustrative. There will be no discussion of variable rates in the White Paper.

A passage has been inserted on an upper earnings level beyond which the formula would not apply.

The Secretary of State understands why the Prime Minister does not wish to exempt absent fathers on Income Support and raising a second family. While this principle would be reflected in a deduction from the absent parent's own allowances, the effect would be a reduction in the family's income which would be likely to affect the children. Therefore my Secretary of State proposes to leave open this issue by substituting the following in place of paragraph 3.30:

E.R.

"In principle, all liable parents should make some contribution to their children's maintenance. Where the liable person is fit and able to work and either single or a partner in a childless couple then he should be expected to contribute a nominal 5 per cent of the personal allowance for a person aged 25 or over, towards the maintenance of the children. This is £1.83 per week. The personal responsibility towards children is too important a principle to be ignored in such circumstances. Deductions are already made from Income Support for a variety of purposes, and maintaining children is at least as important. However, where the liable person is sick or disabled there should be no requirement to pay maintenance from Income Support. The Government is considering whether there should be any further exceptions to this."

Chapter 4 has been redrafted in line with your comments. A copy of the revised version has been sent to Andrew Dunlop.

The question of which forum should hear appeals has been left open in the White Paper.

I hope you now agree that a text which incorporates all these amendments is satisfactory.

Yours sincerely,

Debbie Heigh

DEBBIE HEIGH
Private Secretary

23.10.
PM 9 0

PRIME MINISTER

DRAFT SOCIAL SECURITY UPRATING STATEMENT

I attach Mr Newton's draft uprating statement which he is proposing to make in the House tomorrow.

It follows the general lines agreed at your meeting yesterday. I have sidelined the three main announcements covering pensioner premium; the additional allowance for those in residential care or nursing homes; and the measures on child benefit.

Mr Newton has succeeded in de-linking the three major announcements so that none of them looks to be dependent on the other, within the overall constraint on available resources.

But I do not think the present drafts of paras 34 and 35 announcing the additional £1 per week for the first child are acceptable.

i. Para 34 again uses the argument that it is the arrival of the first child which has much the largest financial impact; and that it is often associated with the loss of the wife's income. In the long term, this may be a defensible case. But in the short term, much of the extra child benefit will go to families with older, single children (or with one child still within the eligible age group). So in practice some of the additional money will flow to women who have been back to work for many years. The proposed line in this paragraph is not a sound basis on which to argue for the new proposals.

ii. The beginning of para 35 is even more unwise. It seems quite extraordinary for this Government to argue that it is extending to all families a concept which originated in one parent families. That 'pilot' is surely not a defensible basis for the new arrangement.

iii. Also, the paragraph talks about the payment being set 'initially' at £1 per week. This phraseology is bound to excite speculation about the Government's future polices on family support.

Late though it is, I think these two paragraphs do need to be radically re-drafted.

Content for me (and Andrew Turnbull) to see whether a revised form of words which avoids these pitfalls can be negotiated tomorrow morning?

Perhaps the Treasury can help with (iii).

Yes pm

BHP

BARRY H POTTER
23 October 1990

c:\economic\uprating.eam

DEPARTMENT OF SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 071-210 3000
From the Secretary of State for Social Security

cc Q
DM
DE
Press
Political

POLICY IN CONFIDENCE

Barry Potter Esq
Private Secretary
10 Downing Street
London
SW1A

23 October 1990

Dear Barry,

I am enclosing a draft of the Uprating Statement my Secretary of State proposes to make to the House tomorrow, which was prepared in the light of his discussion with the Prime Minister yesterday. I should point out that the Chief Secretary has not seen the Statement yet and some of the minor measures are part of a nil cost package and still subject to his agreement.

I am copying this letter to Jeremy Heywood in the Chief Secretary's Office and Murdo MacLean, Chief Whip's Office.

Yours

HELEN DUDLEY
Private Secretary

DRAFT UP-RATING STATEMENT

1. With permission, Mr Speaker, I wish to make a statement about the up-rating of social security benefits. This will take place for most benefits, as is now the normal practice, in the first full week of the tax year - that is to say, the week beginning 8 April. The statutory instruments to implement my proposals, applying both to Great Britain and Northern Ireland, will in due course be laid before both Houses for debate.

2. As is customary, I will deal first with the main National Insurance benefits, including most notably the Retirement Pension which now goes to some 10 million people. The basis for the up-rating is the latest available figure for the increase in the Retail Price Index: the 10.9 per cent rise recorded for the year to September 1990.

3. The Retirement Pension will accordingly rise by £5.10 a week for a single person, from £46.90 to £52, and by £8.15 a week for a couple, from £75.10 to £83.25. This increase alone will cost some £2.5 billion, underlining once again our clear and continuing commitment to maintaining the pension's value.

4. Unemployment Benefit will rise from £37.35 to £41.40 for a single person and from £60.40 to £66.95 for a couple; and sickness benefit from £35.70 to £39.60 for a single person and from £57.80 to £64.10 for a couple.

5. National Insurance Invalidity Benefit will go up in line with the Retirement Pension. There will also be a 10.9 per cent increase in all other non-income-related benefits related to people who are sick for a long period, or disabled - Severe Disablement Allowance, Industrial Injuries Benefits, War Disablement Pensions, Invalid Care Allowance, Mobility Allowance and Attendance Allowance. The 615,000 people now receiving Mobility Allowance will see it rise by nearly £3 a week to £29.10. For the three-quarters of a million

people now receiving Attendance Allowance, there will be an increase of £2.75, to £27.80, in the lower rate, and of over £4, to £41.65, in the higher rate.

6. The age-related additions known as Invalidity Allowances, currently confined to those receiving Invalidity Benefit but being extended in December to give up to £10 a week extra to some 275,000 people receiving the non-contributory Severe Disablement Allowance, will rise further in April to a maximum of £11.10.

7. Similarly, 10.9 per cent increases will take place in Widows Pensions including Widowed Mothers Allowance, War Pensions, and all public service pensions, together with the special Ministry of Defence payment to the pre-1973 war widows, which my rt. hon friend the Secretary of State for Defence will raise from £40 to £44.36 per week.

8. For the income-related benefits - Income Support, Housing Benefit, Community Charge Benefit and Family Credit - the up-rating will be based, again as usual, on the RPI less housing costs. This is simply because, for those receiving these benefits, housing costs are directly taken into account in their Housing Benefit itself or through help with mortgage interest.

9. This index rose by 8.1 per cent in the year to September 1990, and the relevant benefit rates, with one exception to which I will come later, will go up accordingly. Thus Income Support for a single person under 25 will go from £28.80 to £31.15; the rate for an older single person from £36.70 to £39.65; and the higher pensioner premium from £17.05 to £18.45. For a family on Income Support with two children aged 10 and 12, benefit will rise by £7.75 a week to £103.30, plus full mortgage interest if they have been on benefit for more than six months, or full rent if they are tenants, and eighty per cent of their community charge.

10. On a detailed point, but one of considerable importance to the small number of families and individuals affected, I intend to relax the rule that at present automatically ends the Income Support of young people on their 19th birthday, even if they are still completing their studies at school. Proposals to allow benefit to continue to be paid in these circumstances will be referred to the Social Security Advisory Committee next week.

11. I turn next to Statutory Sick Pay and Statutory Maternity Pay, which as the House is aware, are both paid through employers. The link between the two schemes is frankly somewhat artificial resting more on considerations of administrative convenience than of consistency in structure or purpose. I have concluded that the sensible development of policy of both fields would now be better served by treating them separately.

12. So far as SSP is concerned, I propose to build on the re-structuring undertaken last year, taking account of the considerations I outlined to the House at that time. Occupational sick pay schemes have grown to such an extent that over 90 per cent of the work force now work for employers providing this cover, reflecting what is in my view a proper acceptance by employers of a much greater responsibility to cover short-term sickness amongst their employees. This in turn means that, for the great majority of those in work, the rates of SSP bear little or no relation to the amount they actually receive when sick. In these circumstances it is better for additional resources from the taxpayer to be concentrated more clearly on those least likely to have occupational provision, or in other areas of social security for which employers cannot be expected to provide.

13. I therefore propose to up-rate fully, from £39.25 to £43.50, the lower of the two SSP rates, which goes to the lower-paid employees who are generally less likely to be covered by occupational schemes; to extend the coverage of this rate across the whole range of earnings bands within which employers pay lower rates of contributions, which currently covers employees earning less than £175 a week; and to leave the higher rate of SSP unchanged at £52.50. These changes will reduce

expenditure by about £100 million in 1991-2, while fully protecting the lower-paid and with little or no effect for the great majority of others.

14. I intend also to adjust the arrangements under which employers are fully re-imbursed, by deduction from their remittances of National Insurance contributions, for the whole of their expenditure on SSP plus an amount to cover payments of such contributions on SSP itself. I propose instead to move to 80 per cent re-imbursement. This will reduce public expenditure in this area by about £180 million in 1991-92. At the same time however, I propose to make offsetting reductions in the rates of employers National Insurance contributions. Full details will be given in the normal statement about contributions which is made at the time of the Chancellor's Autumn Statement. But I can indicate now that my intention is to reduce each of the lower rates - those which apply to employees currently earning up to £175 - by 0.4 per cent, at a revenue cost of about £150 million, and to reduce the standard rate by 0·05 per cent, at a further revenue cost of about £120 million. This overall reduction in employers' contributions of some £270 million takes account also of the compensation employers currently receive for contributions paid on SSP itself. Legislation will be required, with a view to implementing these changes from April 1991.

15. The arrangements for Statutory Maternity Pay, where occupational cover is very much less extensive, will be left entirely unchanged, except for any minor modifications needed in consequence of the separation from SSP. That separation, however, enables me to go further on the standard rate of SMP than I have proposed for SSP. I intend not only to increase it by the RPI, which would take it from £39.25 to £43.50, but by a further £1 a week to £44.50. An additional £1 will also be added to the National Insurance Maternity Allowance, taking it from £35.70 to £40.60 instead of the £39.60 which an RPI up-rating alone would have indicated. There will thus be a real increase in benefit for some 315,000 mothers-to-be in the course of a year, at a cost of about £5 million.

16. Apart from this increase in maternity pay, my proposals on SSP open the way to a number of other important improvements both small and large which I believe strike a sensible new balance in the partnership between the State and employers which has developed in this field.

17. In turning to those improvements, I should make one point clearly to the House. This is that support for families does not relate only to families with children, important though that is. It must acknowledge responsibilities towards the old as well as the young, and not least the particular pressures families can face arising from disability, or the need for special care. In framing my proposals I have sought to take account of all those strands

18. I come first to the needs of disabled people and their carers, where we are already carrying through the major programme described in my up-rating statement last year. Last April we made real increases in the Income Support disability premiums, including in particular those for children; extended Mobility Allowance to the deaf-blind; and extended Attendance Allowance to disabled babies under 2. This month we have introduced a carers' premium into Income Support, and extended Attendance Allowance to the terminally ill without the normal time limit. In December we shall make the increases in Severe Disablement Allowance to which I have already referred. And we are preparing new benefits for introduction in 1992 to help those disabled people who wish to work and further extend help with disability costs.

19. Against that background, I cannot of course propose further measures on the same scale. But what I can and will do is to make five more specific improvements specifically directed at the needs of some of the most severely disabled people and their carers.

20. The Independent Living Fund, now providing extra help - averaging £74 a week but in some cases several hundred pounds a week - to some 6,000 severely disabled people in the community, will have its resources nearly doubled to £62 million next year. It will thus have risen twelvefold, from an initial £5 million in only three years.

21. We shall make an immediate additional grant to Motability of £250,000 in the current year, and £1 million a year thereafter, to enhance the assistance it can give with the expensive adaptation of cars which severely disabled people often need.

22. I intend too to modify Mobility Allowance regulations to help those particularly unfortunate people who suffer the amputation of both legs. The House will be aware of two recent cases - Mrs Sandra Stones in Durham and Sergeant Andy Mudd in Colchester - where doubt has been cast on their continuing entitlement. While this doubt may be removed by review or appeal - as has indeed already happened in the case of Sergeant Mudd - it seems to me that we ought to do everything possible to avoid this sort of uncertainty and the distress it can cause. I therefore propose an amendment to put the payment of Mobility Allowance in such cases beyond doubt.

23. I propose also two further useful improvements for carers. The amount which can be earned without affecting entitlement to Invalid Care Allowance, increased last year from £12 to £20 a week, will in April go up by a further 50 per cent to £30 a week. And I intend to provide that the carers' premium just introduced in Income Support, which as things stand would cease immediately on the death of the person being cared for, can continue to be paid for up to eight weeks thereafter.

24. Next, pensioners. As I have said on a number of occasions in the House and elsewhere, in welcoming the rise in pensioners real average net incomes which has taken place as a result of the spread of occupational and personal pensions and the growth of savings, we must not overlook those who have not yet gained from those trends.

25. I therefore propose to make this year a real increase in the basic pensioner premium in Income Support, which will go up by £1 a week more for a single pensioner, and £1.50 more for a couple, than in a straightforward up-rating. It will thus rise by £1.95 from £11.80 to £13.75 for a single pensioner and by £2.95 from £17.95 to £20.90 for a couple.

26. This will cost nearly £80 million, and assist some 3.5 million people through Income Support, Housing Benefit and Community Charge Benefit. Taken together with the premium increases for the older and more disabled pensioners which took place in October 1989, over eighteen months there will have been a real increase in every one of the premiums applying to around 6 million less well-off pensioners, at a total costs of about £300 million.

27. I propose also, thirdly, a major upward adjustment in Income Support in a field which brings together the interests of both elderly and disabled people and the families to which they belong: the limits relating to residential care and nursing homes.

28. The survey of costs we commissioned from Price Waterhouse to help us make better judgements in this field is being placed in the Library today. In brief, it shows that, while the limits for residential care are reasonably close to median costs across the country, those for nursing homes are significantly too low; but it does not provide evidence of a significantly clear pattern of geographical variation, except for Greater London, to justify the introduction of further such variations at this stage.

29. What I now propose takes account both of the Price Waterhouse results and of the many other representatives to us by voluntary and charitable bodies and organisations of home owners.

30. For residential care, the basic limit will rise by £5 a week to £160. There will be larger increases of £15 to £185 for the category covering the very dependent and blind elderly, which includes for example Alzheimers Disease cases; and for those covering the mentally handicapped and physically disabled.

31. For nursing homes, the increases will be much larger: £45 a week, to £255 a week, for the main category catering for the elderly; £35, to £260 a week, for the mentally handicapped; and £35, to £290 a week, for the physically disabled. The increase for terminal illness homes will be somewhat smaller, at £15 to £275 a week, taking account

of the fact that this type of home received the largest increases last year, that the distinction between these homes and others is becoming increasingly artificial, and that voluntary hospices - many of which do not seek to make use of Income Support anyway - are now receiving extra financial help specially geared to their needs under the arrangements introduced this year by my Rt hon and learned Friend the Secretary of State for Health.

32. As the House knows, pending the changes now planned for 1993, the Income Support limits in the field are, and always have been, designed to cover not only income maintenance but also housing and care costs. It has never been the intention, nor is it sensible, that in the generality of cases Housing Benefit itself should be available as an alternative to Income Support. An anomaly exists in the regulations, which has enabled such claims to be made; and in the light of the large increases in limits which I have announced, I intend to consult on amendments to re-establish the policy intention more clearly.

33. Last but not least, Mr Speaker, I intend to make an increase in Child Benefit, which is and will remain a strong element in our policies for family support. It will not perhaps however surprise the House, in the light of what I have said in the last few minutes and what I said earlier about balancing a variety of different family needs, that I am not able simply to up-rate it across the board, at a gross cost of over half a billion pounds.

34. In fulfilling my statutory duty of review, I have looked not only at whether there should be an increase, but at what I believe to be the desirability of giving greater recognition to the contemporary reality that, for the great majority of parents, it is the arrival of the first child which has much the largest financial impact. This is of course because it is so frequently associated with the loss of one partner's income, or at least with a substantial and sometimes prolonged reduction in their earning capacity.

35. What I propose, therefore, is to extend to all families the concept which was the original basis of One Parent Benefit - that is to say, an additional payment for the first or eldest eligible child. It will be set initially at £1 a week, payable of course normally to the mother, in addition to the present weekly payments of £7.25 per child. Since it will go to all families, and will be larger than an RPI increase in One Parent Benefit itself would have been, I do not propose this year to increase One Parent Benefit as well.

36. The measure thus complements what we have done in recent years to steer some £350 million of real extra help to low-income families through Family Credit and Income Support. The increase will go to nearly 7 million families, at a gross cost of over £350 million.

37. Mr Speaker, this up-rating statement will result in extra expenditure of nearly £5 billion, and take the social security budget to a total of £66 billion a year. But more important than those figures is what it does in terms of people. It helps families with children, and families-to-be. It helps large numbers of less-well-off pensioners. It will ease the anxieties of families concerned with the care of elderly or disabled relatives, and of those relatives themselves. And it builds on what we are already doing to give greater help to disabled people.

38. In short, it carries forward the re-shaping of our social security system, conceived in the 1940s, to meet the needs of the 1990s.

cc PM

SECRETARY OF STATE FOR SCOTLAND

SCOTTISH OFFICE
WHITEHALL LONDON SW1A 2AU

NBPM
ORS

POLICY - IN CONFIDENCE

Rt Hon Tony Newton MP
Secretary of State for Social
Services
Richmond House
79 Whitehall
LONDON
SW1A 2MS

23 October 1990

WHITE PAPER ON NEW PROPOSALS FOR CHILD MAINTENANCE

Thank you for copying to me your submission of 15 October attached to the Prime Minister covering a draft of the above White Paper. I have also seen James Mackay's letter of 18 October.

My officials have issued some minor comments on the draft to your officials covering various Scottish aspects of the White Paper but of course, I am generally content with the draft.

James Mackay has commented on stepchildren. I too had identified this as an area of difficulty to be addressed in Scotland. On the whole, I would prefer to leave the question open whether stepchildren should be taken into account.

I also agree with James that it would be preferable to canvas an upper income limit in the White Paper.

I note James' views that the court would be a preferable venue for appeals than a special tribunal and Commissioner. While I can see that there are advantages in the courts being able to determine appeals, I do foresee some practical difficulties. There is likely to be an increased volume in court business with attendant legal aid consequences. I should prefer, therefore, for the White Paper to leave this matter open for further consideration.

Subject to these observations and those intimated by my officials, I am content that the White Paper should be published.

MAB00219.100

I am copying this letter to the Prime Minister, Geoffrey Howe, James Mackay, Peter Fraser, David Waddington, Michael Howard, Kenneth Baker, Norman Lamont, Peter Brooke, David Hunt, Tim Renton, Bertie Denham and Sir Robin Butler.

MALCOLM RIFKIND

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SECRET

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

23 October 1990

Dear Stuart,

CHILD BENEFIT

I sent you earlier today the record of the Prime Minister's meeting with your Secretary of State and other Ministerial colleagues yesterday.

It was only after that meeting, regrettably, that the Prime Minister had an opportunity to look at some further advice from the Policy Unit. The Prime Minister has asked me to put to your Secretary of State some of the concerns addressed in that minute. In practice many of them were raised in the discussion. But there are two important additional points upon which the Prime Minister would be grateful for your Secretary of State's views.

First, if in the future, the government were to decide in favour of a general uprating in child benefit, what would be the impact on the levels of support for the first and for the second and later children? Specifically, would not the cost of bringing second and third children up to the same level as the first be prohibitively expensive?

Secondly, if in the future the Government decided to introduce child tax allowances, would not the argument that the first child should receive greater support be an obstacle to implementing that approach?

The Prime Minister would be grateful for your Secretary of State's views.

I am enclosing two copies of this letter. I must ask you to ensure that no further copies of this letter are made: and that the three copies in your Department's possession are seen only by those with a strict need-to-know.

Yours ever,

Barry

(BARRY H. POTTER)

Stuart Lord, Esq.,
Department of Social Security.

SECRET

CONFIDENTIAL

PRIME MINISTER

CHILD BENEFIT

I spoke again this evening to Tony Newton's Private Office.

Mr. Newton has given further consideration to the way forward on child benefit. His conclusion is that the best approach is for the £1 addition per family rather than 50p per child.

I have emphasised again the importance of avoiding any reference to a "family premium". Officials are now working on the best presentation. The line will be that only so much could be afforded; and that the Government's wish was to spread this in the best way possible across all families.

That said, and rather more worrying, the Press seem to have got hold of a story. Their line is likely to be that until today the intention had been a freeze on child benefit; but that you intervened to require an uprating.

We will need to see precisely what the Press says. But if such stories do emerge, I fear it will be all the more difficult to defend what amounts to a partial uprating of child benefit.

BHP

BHP

22 October 1990

jd c:\wpdocs\economic\child

CONFIDENTIAL

Prime Minister ②

2 (A-C) This arrived after the meeting. But it closely reflects the earlier advice & the views you expressed at the meeting. BTHP 22/10

SECRET

PRIME MINISTER

22 October 1990

CHILD BENEFIT

We have seen copies of Tony Newton's and Norman Lamont's minutes. Our comments are as follows:

1. We want family policy to be an issue on which the Government is scoring runs, not on the defensive trying to avert criticism.

2. We also want to avert pressure for things of which we disapprove eg child care vouchers.

3. This will not come as cheaply as we would like. But Tony Newton's proposal looks mean and defensive: it will not measure up to our rhetorical claims to take seriously family policy.

4. Either a further freeze or up-rating child benefit would - in their different ways - be clear and defensible on grounds of principle. But Tony Newton's proposal would not. It would be seen as unprincipled and opportunistic: a family policy on the cheap.

5. His proposal amounts to a major change in the rationale of child benefit. The justification for this is dubious:

(a) it creates a no-win argument about when the costs of children fall most heavily. Do we also really want to appear to encourage one child families over larger families? This in itself will divert attention away from our attempts to present a clear family policy. A

recent opinion poll showed that 79 per cent of those asked thought that two children was the ideal family size, against 2 per cent who thought that one child was the ideal.

(b) it constrains action for the future:

- if we decide to go for child tax allowances the argument that the first child should receive greater recognition will hang like a millstone around our neck;

- if we decide to return to a general uprating of child benefit, we would have to spend more to bring the second and third children up to the level of the first. This would expose the arguments Tony Newton wants to use now as a sham.

6. Given the tough public expenditure position it is right to be concerned with priorities. But I question giving poorer pensioners priority over families:

- we have already introduced a special package for poorer pensioners;

- the latest Housing Below Average Income Statistics indicate a major shift over the last 10 years in the proportions making up the lowest decile: pensioners represent a lower proportion; families a larger proportion;

- many of these families are the people we should be supporting: they are on low incomes but do not receive

means-tested benefits. These include 600,000 families on low incomes who are ineligible for family credit (because they do not work sufficient hours). This group would benefit from an increase in child benefit. Moreover because child benefit is not means-tested it improves work incentives for those on low incomes.

7. I accept we could be open to criticism if we uprate: "if you couldn't do it in the last three years, why are you doing it now when public expenditure is more difficult". There is no way round this. We would just have to bite the bullet. In our view this is quite defensible. Governments are entitled to change their priorities from time to time. We have made it clear that family policy is a priority and we are prepared responsibly (unlike Labour) to put our money where our mouth is.

8. **Conclusion**

Contrary to what Tony Newton says, his proposal is not a solution which will see us through the next election. Nor does it necessarily indicate the direction of such a solution. We shall still have to decide for the Manifesto the long-term future of child support.

His proposal is the worst of all possible worlds. A further freeze, accompanied by an assessment that we were looking at the whole basis of child support, would be preferable. But the best possible outcome, if £100 million can be found from elsewhere, is to up-rate child benefit this year.

BRIAN GRIFFITHS ANDREW DUNLOP ROBIN HARRIS

Prime Minister (2)
An unhelpful unscheduled
press announcement from Mrs Rumbold.

CHILD BENEFIT -- MRS RUMBOLD'S STATEMENT FOLLOWING INDEPENDENT PIECE

BHP
22/10

" The major priority of the Government is to get inflation down. It would not be sensible to make any changes until inflation has been brought down. When the economy is in good shape, the debate will open up. My personal view is that improving child benefit is preferable to bringing in a tax allowance, as a tax allowance would not hit the right target."

pja/home office
22 October 1990

DEPARTMENT OF SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 071-210 3000
From the Secretary of State for Social Security

cc PU

NSPM
OJS

POLICY IN CONFIDENCE

The Rt Hon the Lord Mackay of Clashfern
Lord Chancellor
House of Lords
London
SW1A 0PW

19 October 1990

Dear James,

WHITE PAPER ON NEW PROPOSALS FOR CHILD MAINTENANCE

Thank you for your letter and accompanying annex of 18 October / of Flag B. Gt attached, commenting on the draft White Paper.

All the points you make in the annex are helpful, and I am entirely happy to take them on board. My officials will make the necessary changes and let yours have sight of an amended draft early next week.

Turning to the points you make in your letter, I understand that you consider that stepchildren should not be able to claim against a step-parent. I am sure that colleagues will wish to consider this. Meanwhile, I agree that the references in paragraphs 11 and 12 to the formula being based on current legal provision should be deleted.

You commented on the proposal that a stepchild should be included in an absent parent's exempt income only when the natural parent is dead or untraceable. The draft White Paper is seeking here to reflect the clear principle that the liability to support children rests with their natural parents, while recognising that there will be some definable circumstances in which a modified approach would be appropriate. It seems to me right that we should make some provision for stepchildren where there is nobody else to accept parental responsibility for them. This is a point I should be happy to discuss further and colleagues will doubtless have views. Meanwhile, I am happy to adopt your alternative suggestion and will ensure that the references are drafted in a more provisional way.

E.R.

I fully agree there must be an upper limit beyond which the formula would not require further payment of maintenance, and, as you suggest, this will be put into the White Paper without being precise about its level. I am also happy to describe the 15 per cent deduction rate once the maintenance bill is met as illustrative. I have thought carefully about differential rates but, given that we are adopting a single rate up till then, I believe they would invite criticism that we were being inconsistent and lead to pressure to reduce the 50 per cent deduction or replace it by multiple rates. An alternative way to recognise different numbers and ages of children may be through the upper limit, and my officials are working on both areas and will be consulting yours and colleagues'. As to the suggestion of 15 per cent, I think it important that once the bill has been met, the deduction rate should be substantially reduced while still securing a reasonable contribution from the absent parent. Fifteen per cent is illustrative but it does aim to achieve that balance. I suggest we consider further once our officials have developed proposals.

On appeals, we have certainly come to a clearer appreciation of the arguments in favour of a unified family law jurisdiction; but I am still inclined to think that, where no related family law matters are already before a court, there are advantages of simplicity, accessibility and economy in those appeals going to dedicated tribunals. My officials are in touch with yours on this and plan an early meeting, next week, to resolve this issue. This is an issue we must resolve for the Bill. I hope I may take it that you are content for the White Paper to keep options open. We are content with your proposed amendment to para 3.41.

I am glad that you welcome the CSA's power to raise an assessment based on the maintenance bill where an absent parent is uncooperative. We do not in fact propose that such an assessment should be raised immediately, and we do envisage the CSA having power to make assessments on best available evidence. My officials will be redrafting paragraphs 5.13.

I note that it will be necessary to clarify resource implications for the courts and legal aid when our detailed policy is absolutely firm, and that you will be writing again on that shortly. As you imply, the resolution of these resource issues does not affect the White Paper. I hope you can now agree that the content of the White Paper is satisfactory.

I am grateful for your agreement to making a separate statement in the Lords on the day of the White Paper is issued. I have asked my officials to be in touch with yours about other aspects of publicity.

E.R.

I am copying this letter to the Prime Minister, Geoffrey Howe, Malcolm Rifkind, Kenneth Clarke, Kenneth Baker, Norman Lamont, Peter Brooke, David Hunt, Tim Renton, Bertie Denham and Sir Robin Butler.

Yours ever,
Tony

TONY NEWTON

FILE ECL

cl Howe/Heigh

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

19 October 1990

Dear Debbie,

WHITE PAPER ON NEW PROPOSALS FOR CHILD MAINTENANCE

The Prime Minister was grateful for your Secretary of State's minute of 15 October. She has also seen the Lord Chancellor's letter to the Secretary of State of 18 October. We have also received Mr. Howard's letter of 17 October which arrived this morning.

The Prime Minister is in general impressed by the proposals set out within the draft White Paper and would like to congratulate Mr. Newton and the officials concerned for what they have achieved in a relatively short timescale. She agrees that the White Paper should be published before the end of the month but she has a number of detailed points on the proposals.

The Lord Chancellor raised in his letter the question of how the cost of caring for step-children should be handled in assessing the payments an absent parent should make to maintain his natural children. The Prime Minister recognises that, although the responsibility of maintaining step-children should normally fall to the natural father, there may be instances where this is not possible. Her concern is that there will be other circumstances apart from cases where the natural father is dead or untraceable where the natural parent may not be in a position to maintain step-children. For the purposes of applying the formula, she agrees with the the Lord Chancellor's proposal that it should always be assumed in calculating exempt income that the step-parent has no liability to maintain step-children. Exceptionally, where a father does have to incur legitimate costs for maintaining step-children, these can be taken into account in the formula through the concept of an absent parent's protected level of income which makes sure that his income does not fall near to or below income support level.

The Prime Minister is content with the proposal for the rates of deduction of up to 50 per cent of qualifying income and beyond this for higher earnings parents up to 15 per cent more. She does not share the Lord Chancellor's wish to see differential rates depending on the ages and numbers of children concerned. The Lord Chancellor proposes in addition that there should be an upper limit for the levels of maintenance to prevent absurdly

high settlements where the absent parent is a very high earner. The Prime Minister endorses this proposal.

The Prime Minister welcomes the proposal to make a minimum deduction from the benefit of absent parents for the maintenance of their natural children. She recognises the need for an exemption from this rule where the absent parent is sick or disabled. But she does not accept that absent fathers raising a second family should be exempt. She sees this is an important point of moral principle. Any deduction would be made from the parent's own allowance rather than from the separate allowances within income support for the children and so an absent parent's second family should not suffer financial penalty.

The Prime Minister was concerned that the chapter in the draft White Paper dealing with variations in the formula for assessing maintenance is insufficiently clear. She is concerned that the formula should be simple enough that it only needs to be referred to the courts in very limited circumstances. She would like chapter 4 to be redrafted to bring out more clearly the circumstances in which the variation to the formula might be required and how the formula will be applied in these circumstances. She questions whether the formula will need to be varied to take account of the transfer of the family home to the caring parent, given that the formula already includes housing costs in an absent parent's exempt income.

The Lord Chancellor suggested that the White Paper should be redrafted to propose that the courts rather than a new independent Appeals Tribunal should be used to hear appeals. The Prime Minister takes the view that the draft should continue to canvass both alternatives.

There are two minor drafting amendments, details of which I enclose.

I am copying this letter to Tim Sutton (Lord President's Office), Jenny Rowe (Lord Chancellors Office), Alan Maxwell (Lord Advocate's Office), Peter Storr (Home Office), Anne-Marie Lawlor (Department of Employment), Jim Gallagher (Scottish Office), Robert Canniff (Chancellor of the Duchy of Lancaster's Office), Jeremy Heywood (Chief Secretary's Office), Tony Pawson (Northern Ireland Office), Judith Simpson (Welsh Office), Murdo Maclean (Chief Whip's Office), Douglas Slater (Government Whips' Office, Lords) and Sonia Phippard (Cabinet Office).

Yours sincerely,

Caroline

(CAROLINE SLOCOCK)

Mrs. Debbie Heigh,
Department of Social Security.

DETAILED AMENDMENTS

Para 3.34 refers to what the level of average maintenance awards would be under the new system. This does not appear to follow on from the preceding paragraph which deals with attempts to evade maintenance payments. A new heading might make it clearer that para 3.34 refers to the total effect of the formula. It also needs to be made clear that the reason for the apparent fall in the average payments under the new system is because the total number of payments will go up.

Para 4.8 This paragraph should be ended after the sentence finishing "...calculated by a formula" (sixth line). The rest of the paragraph is difficult to follow and arguably superfluous to the argument.

c:/home/amendment (ecl)

POLICY IN CONFIDENCE

VLS

FILE

A:/Social

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

19 October 1990

Social Security Benefits: 1991-92 Uprating

The Prime Minister was grateful for your Secretary of State's minute of 16 October and for the Chief Secretary's minute of the same date on this subject.

We spoke on the telephone and I have also spoken to the Private Secretaries to the Chancellor and the Chief Secretary.

You are undertaking the further examination and work requested. Following the further consideration your Secretary of State, in consultation with the Chancellor, Chief Secretary and Chief Whip as necessary, will report their conclusions to the Prime Minister.

I am copying this letter to the Private Secretaries to the Chancellor of the Exchequer and the Chief Secretary to the Treasury.

BARRY H POTTER

Stuart Lord, Esq.,
Department of Social Security.

POLICY IN CONFIDENCE

VLS

PERSONAL AND
POLICY IN CONFIDENCE

Copy no: 1

Prime Minister

1991/92 UPRATING: FAMILY SUPPORT POLICY

My minute of 16 October reported on the PES settlement I have reached with Norman Lamont. I understand you wished to have a fuller explanation of the thinking behind my proposals, particularly in relation to Child Benefit.

The strategy

2. My overall concern has been to achieve a balanced set of measures across the social security field as a whole, which can sustain our position up to and through the Election.

3. Thus, using the room to manoeuvre created by the Statutory Sick Pay (SSP) proposals with which I understand you are content, I have constructed a package for this up-rating with three key ingredients:

- an improvement in support for families with children generally (with which most of the rest of this minute is concerned);

- additional help to those poorer pensioners who did not gain from the increases we made last October, in order to underpin our generally good record on pensioners incomes by enabling us to point to a real improvement for all the pensioners who are least well-off;

- Income Support limits for residential care and nursing homes, with increases focused particularly on the latter where the problem is clearly greatest, to hold the position in the wake of the deferment of the new arrangements for community care, and avoid a repeat of the difficulties we experienced in this area earlier this year.

4. Taken together with the extensive measures of the past three years for low-income families with children, the major programme of improvements in disability benefits we are carrying through, and the proposals we shall shortly be publishing for child maintenance, I believe this gives us a record on which we can stand with confidence. Not least, provided it contains a credible approach to the needs of all families with children, it can be presented as supporting "family policy" in a wider sense - that is to say, one which takes account of responsibilities to the old as well as the young, and the special problems of families facing particular pressures such as those arising from disability or marriage breakdown.

Child Benefit

5. I am in no doubt that a substantial move on Child Benefit is a very important element in this strategy. Three years of freeze, coupled with measures directed only towards hard cases, have created a growing perception - by no means confined to the Left - that 'normal' families are losing out by comparison with almost every other group, including those who have no family responsibilities at all. A continuation, even if politically sustainable (which I doubt), would put us very much on the defensive in the run-up to the Election. And it is increasingly vulnerable to legal challenge, on the grounds that I am operating a settled but undeclared policy rather than properly fulfilling my statutory obligation to review.

6. What I have therefore sought to do is to make a proposal which takes us out of this trap, while recognising the special constraints on public expenditure this year, in a way which both creates greater flexibility for the future and, crucially, can be presented as a sensible step forward in the social security aspects of family policy itself.

7. The modern reality is that, for most families, the major impact of having children is when the first child arrives. This is not just because the "start-up costs" are then incurred, but above all because, in a world in which virtually all women work while they are childless, but the great majority cease to work (or work much less) for some considerable time after they become mothers, the arrival of the first is for most families associated with a sharp loss of income. The effect of the arrival of later children is much smaller by comparison.

8. This clearly points, in my view, to introducing into Child Benefit the concept of a "family premium" paid to mothers (which of course we have already introduced into Income Support as part of the reforms, and has been a welcomed and accepted feature of them). That, in effect, is what I am proposing - though in the legal form of an extra payment for the eldest child, since I can do that without the need for primary legislation which we are rightly anxious to avoid in this field at this time.

9. Apart from its basic merits in recognising and responding to real family needs, such a proposal has two other significant advantages.

First, it opens a new range of options for future reviews - that is, increasing the premium, increasing the rate per child, or some combination of the two - but without closing off other options we might wish to consider, such as age-related payments (or indeed complementary moves within the tax system, though work between Treasury officials and mine has shown very great difficulties in devising anything which might serve our objectives).

Secondly, it opens the way to restoring a healthier balance of support as between two parent families and lone parents. You will have noted that my proposal is that all families should get an extra £1, but that One Parent Benefit should not additionally be increased. I think we could legitimately and sensibly look over a period to see a Family Premium gradually overtake One Parent Benefit so that we have a premium which goes even-handedly to all.

10. I see no reason to doubt that a move of this kind, presented in the way I have described, would receive a wide welcome from the great majority of our backbenchers, including some of the more substantial figures (notably Norman Fowler in the Commons and Keith Joseph in the Lords) who have recently been adding their expressions of concern about family support to those of the more familiar "Child Benefit lobby".

11. I have spoken briefly to Tim Renton, who had been assuming a fourth consecutive freeze accompanied by sizeable further improvements in income-related benefits for low-income families and lone parents, and thought that would be sustainable; he was however unaware of the possible legal difficulties to which I have referred, and I have not had an opportunity to take him through the strategy described in this minute.

12. Since no primary legislation is involved, and therefore no possibility of amendment arises, I see no difficulty in carrying the proposal through the House. As always with up-rating orders and the like, there is no way in which people can vote for higher increases than those on offer, and they are reluctant to get into the position of voting for no increase at all.

Conclusion

13. I hope that, in the light of this minute, you will feel able to agree that I should proceed as I have agreed with Norman. If however you feel that further consideration is needed, I believe the only realistic alternative for the statement I must make quite soon now would be a full up-rating of Child Benefit. As I have indicated, I doubt the viability of a further freeze; and a middle course of a modest increase across the board seems to me the worst of all worlds, since there would be no grounds of policy or principle on which to defend it, other than the fact that it is cheaper than a full up-rating.

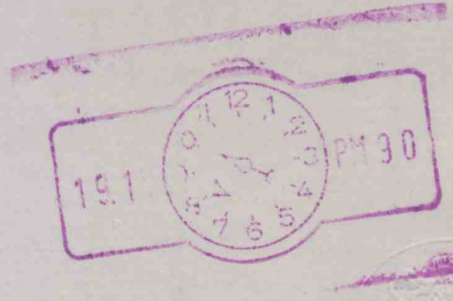
14. A full up-rating could be accommodated only by an upwards adjustment of some £116 million in my recent settlement; or alternatively, within the agreed expenditure envelope, by going further on SSP (which might be a bridge too far) or by abandoning the agreed improvement for poorer pensioners and sharply reducing any extra help in the field of residential care and nursing homes. Either of these latter courses would, in my judgement, seriously damage the strategy I set out earlier.

15. I am copying this minute to John Major, Norman Lamont, Tim Renton and Sir Robin Butler.

TN.

19 October 1990

TN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SECRET

1(A-B)

FROM: CHIEF SECRETARY
DATE: 19 October 1990

PRIME MINISTER

PUBLIC EXPENDITURE SURVEY: SOCIAL SECURITY

I understand you have some concern about Tony Newton's proposal to increase child benefit by £1 per family next April.

2. Given the widespread expectation that in this very difficult year Child Benefit will be frozen once again, I believe that this increase in support for children will be well received. I am confident that what Tony proposes will be seen as a positive step towards recognising the drain on a couple's resources which occurs when the first child arrives.

3. At the same time - and this seems to me to be a crucial point - it does not tie our hands for the future. We would remain free to freeze Child Benefit in future years, or to uprate it - when resources permitted - either across the board or by boosting what is in effect a premium for the first child.

4. I must stress that John Major and I regard the cash envelope I have agreed with Tony as an essential part of our public expenditure strategy. A full uprating of Child Benefit would require offsetting changes elsewhere in the package. These would be bound to include dropping the extra benefits for poor pensioners to which Tony attaches great importance, and probably also smaller increases in the income support limits for residential care and nursing homes. There is a severe danger that the latter would again come under pressure in the House, not least because of the decision to postpone the community care initiative.

B

SECRET

5. A full uprating of Child Benefit in the current Survey would seem a very odd decision in such a difficult year. We would surely be challenged on why we could afford to do it now, but had not been able to afford it over the last three years when the fiscal position was so much stronger.

6. A less expensive alternative would be a partial uprating. But that would probably be the worst of all worlds. It would be criticised as mean by supporters of Child Benefit. And we would be able to defend it only in pure public expenditure terms.

7. For these reasons I greatly prefer Tony's proposal. It both meets the main concerns of the lobby for increased support for children while securing important savings in public expenditure.

8. I am copying this minute to John Major, Tony Newton and Tim Renton.

NORMAN LAMONT

[Approved by the Chief Secretary and signed in his absence]

DEPARTMENT OF SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 071-210 3000
From the Secretary of State for Social Security

copy No 1

POLICY IN CONFIDENCE

Barry Potter Esq
Private Secretary
10 Downing Street
London
SW1

19 October 1990

Dear Barry

1991/92 UPRATING: FAMILY SUPPORT POLICY

I am writing to let you know how the proposal to bring the £1 increase in Child Benefit for all families would be handled in Parliament.

The measure would not require primary legislation but can be achieved by the making of regulations under the Child Benefit Act 1975 to introduce a higher rate of Child Benefit for the oldest or only eligible child in the family. The intention will be to bring forward these regulations at the same time as the uprating order and, if possible, to debate them at the same time. Both the order and the regulations are subject to affirmative resolution procedures.

My Secretary of State believes that the need to make separate regulations on this occasion would be unlikely to cause any more debate than would arise on the uprating order provided it is possible to have them debated at the same time, and that the debate would be much less difficult than in previous years. The practice in the past has been for the Opposition to want a half day in prime time to debate the uprating package as a whole and they are usually amenable to taking all of the associated provisions together.

I am copying this letter to John Gieve, Jeremy Heywood, Murdo MacLean and Sonia Phippard.

Yours,
Stuart

STUART LORD
Principal Private Secretary

19.10
PM 90

(1)

PRIME MINISTER

CHILD BENEFIT AND PES

You and the Chancellor discussed the proposed £1 per week uprating of child benefit for the first child only on Wednesday. Subsequently you considered with Andrew Turnbull and me whether the proposal made sense in terms of the Government's wider strategy on family policy; and whether it could be successfully got through the House.

The Chief Secretary and Social Security Secretary have given further thought to their proposal. In the attached minutes both have still come down in support of this addition to child benefit only for the first child.

Mr. Newton presents his proposals on child benefit as part of a wider package to provide:

- improved support for families with children;
- additional help for poorer pensioners; and
- higher income support limits for residential care and nursing homes.

Paying a higher rate of child benefit for the first child is presented as a measure, not only to help with the start-up costs of a family, but also to help cushion (albeit marginally) the loss of income for women who give up work to have children.

The heart of the case is in paragraphs 8 and 9. The proposal is presented as a "family premium" paid to mothers, that opens up a new range of options for future reviews of family policy. Finally, Mr. Newton judges that the measure will be popular and can be successfully got through the House.

The Chief Secretary also commends the approach. He argues it would look odd to uprate child benefit in full in this more difficult year on the Public Expenditure front. Moreover the only alternative if the overall PES deal on the programme is to be maintained would involve dropping the extra benefits to poorer

pensioners and lower increases in income support for residential care. Both are policy initiatives to which Mr. Newton attaches importance.

Assessment

The case for the family premium is set out in the two minutes. The main arguments against are as follows.

i) If the Government can afford to go this far, for a small extra sum (c. £100m) it can uprate child benefit in full. The policy looks mean.

ii) Moreover, if it is argued that this limitation on child benefit was to make room for extra for poorer pensioners and those in residential care, that too could be counter-productive. All three measures will be criticised as mean-minded.

iii) Any departure from full or zero uprating of child benefit opens up arguments about the future of family support policy.

a) Why a payment to the first child rather than to those families with say two or more children (the Chancellor reminded you of the possible reaction from the Catholic Church)?

b) Also, the proposed presentation about help with start-up costs and a cushion for women who leave work would in fact argue for payment of extra child benefit to children under five. Under Mr. Newton's proposal, much on the money would go to parents of single teenagers - where the mother has been back to work for some years.

iv) Understandably, Mr. Newton sees attractions in his concept of a "family premium". But you may feel that you and colleagues should consider the new policy departure more thoroughly. If there is to be a "family premium" it is not obvious it should be paid through child benefit rather than

through the tax system. There are other ideas too, for example, raising NICs, to pay for greater support for children. Rather than extending the policy choice as Mr. Newton contends, this could be seen as a measure which restricts it.

v) Mr. Newton's paragraph (11) on his discussion with the Chief Whip says relatively little. My understanding is that the Chief Whip was cautious in his response. He had been assuming a further freeze. Whatever the likelihood of a successful passage through the House, the danger lies in attacks from the Government's own side about the nature of this new family premium.

Conclusion

You will wish to weigh the advantages set out by Mr. Newton and the Chief Secretary against the possible drawbacks identified above. A further advantage of the package is of course that it has been negotiated between the Chief Secretary and Mr. Newton; that the only practical alternative - a further uprating of child benefit - will lead to some criticism of failure to give more to pensioners and those in residential care; and that, although this point can be over-played, it may make the overall Public Expenditure settlement look less tough than it is.

Mr. Newton had intended to lay the uprating order on Monday but this will now be postponed.

i) Content to approve Mr. Newton/Chief Secretary's package; or

ii) Content for me to write out in favour of full uprating of child benefit with offsets achieved elsewhere in the Social Security programme; or

iii) Wish to talk further with the Chief Secretary, Mr. Newton, the Chancellor and the Chief Whip?

Yes please
BHP

BARRY H. POTTER

19 OCTOBER 1990 A:\economic\Child.MRM

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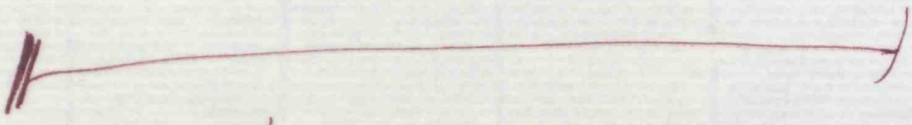

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PRIME MINISTER 18 October 1990

WHITE PAPER ON CHILD MAINTENANCE

DSS have done a good job in a short space of time. Much of the detail has now been resolved, although the White paper contains some "green edges" (most notably on the appeals procedure). In general the presentation is reasonably clear.

The main points of **substance** on which to focus are:

1. **The Formula**

There are two key issues:

(a) **Exceptions to the rule**. Every absent parent will be allowed an exempt income on which he will not be liable to pay maintenance. This will give him enough to meet his own essential living expenses. His maintenance bill will be met from non-exempt income.

There are exceptions to this rule. He may have a second family in which there are step-children. Ordinarily these children would be provided for by their natural parents. But under Tony Newton's proposals the step-children can be included in their step-father's exempt income where the natural parent is dead or untraceable.

The Lord Chancellor is rightly concerned that this is somewhat arbitrary. There will be other step-children who are not being adequately maintained for different reasons eg the natural parent is a paraplegic or without means. He argues that all step-children should be treated in a similar way: they should not be taken into account in calculating exempt income. This simplifies

the system. And it is not unduly harsh as there is the safety net of a liable parent's "protected income" (see Paras 3.22 - 3.25). This allows the formula to be varied exceptionally, where a liable parent has inescapable financial obligations (which could include his step-children). This ensures that he does not fall near to or below the Income Support level.

Recommendation

Support the Lord Chancellor's proposal not to take into account step-children when calculating a liable parent's exempt income.

(b) Rates of deduction

Under the original proposals maintenance payments were to be deducted from a liable parent's non-exempt income at differential rates according to the number of children concerned. The rates canvassed were 30 per cent for one child, 40 per cent for two and 50 per cent for three. This differential was intended to reflect real life where the larger the family, the larger the proportion of income used to maintain it. These rates were to apply until the minimum maintenance bill had been met in full. Thereafter a lower rate of 25 per cent was to be applied to allow the children to share in their parents' rising living standards.

The White paper proposes a flat rate 50 per cent until the minimum maintenance bill is met and 15 per cent thereafter. The 50 per cent is quite a tough deduction rate. Half of all absent parents have a liability for only one child. Under the original proposals this group would have faced a deduction rate of only 30 per cent.

The new proposal is, however, justifiable and defensible:

- it will not damage work incentives. Due to the safety

net of a "protected income" all liable parents will be better off in work. Moreover, the poverty trap has been minimised. The majority of liable parents will face marginal rates in the region of 60 - 69 per cent. This is well below the 75 per cent marginal rates which the Treasury regard as unacceptable;

- even though the rate is flat-rate, the maintenance paid will still vary according to family size. This is because an absent father's liability to pay maintenance is calculated for each child separately. The same principle applies to the 15 per cent rate. I do not, therefore, share the Lord Chancellor's concerns on this, which seem to complicate unnecessarily the formula.

Recommendation

Agree to the 50 per cent and 15 per cent rates of deduction.

2. Deductions from Benefit (Para 3.27)

At the meeting in July you asked that nominal deductions should be made from the benefits of absent fathers.

The White Paper proposes a deduction of 5 per cent (£1.83 a week) from Income Support. This is in line with the deductions made at present to pay for fines etc.

But Tony Newton proposes to exempt from this deduction the sick, disabled and those with a second family to support.

It is clearly right to exempt the sick and disabled. But it is a more open question whether those with a second family should be exempted. The case for doing so is that otherwise the children

of the second family would suffer. But:

- this is an important point of principle. Including such a wide exemption would allow the most feckless group of all to slip through the net;

- there are separate allowances within Income Support for the children and the parents. Any deduction would be made from the parent's own allowance (just as in the case of a fine or Community Charge);

There is also an inconsistency with the White Paper's proposal (Para 5.33) to reduce the benefit of a lone mother who fails to co-operate in tracing the absent father. In this case also the children could, in theory, lose out. But Tony Newton does not use this as an argument for doing nothing.

Recommendation

Apart from the sick and disabled there should be no exemptions from the principle of benefit recipients having to contribute a nominal sum for the maintenance of their children.

3. The Role of the Courts (Ch.4)

This is the least satisfactory Chapter in the White Paper. It is vague and tentative.

The purpose of this Chapter is to define what continuing role the courts would have in relation to child maintenance. As the Chapter makes clear it will have a continuing role for matters - such as spousal maintenance etc - which do not impinge on the issue of child maintenance.

But there is a grey area of overlap where the Courts may need to vary the administrative formula upwards or downwards. For example:

- it may wish to vary it upwards where it is clear parents meant to devote a higher proportion of income to the children than specified by the formula ie to pay for private schooling;

- it may wish to vary it downwards to reflect the fact that an absent parent has lost the equity in a house which has been handed over by the courts for the benefit of his children.

The Chapter needs to spell out more clearly (a) the circumstances in which a variation might be required and (b) how the formula will be applied to produce a variation. Neither is clear from the White Paper as presently drafted.

This is important because it is not clear to me that the courts will need to vary the formula to take account of the family home. As Para 4.7 of the White Paper makes clear the formula already reflects this point by including housing costs in an absent parent's exempt income.

Recommendation

- Question whether the formula will need to be varied to take account of the transfer of the family home;

- suggest Chapter 4 needs to be redrafted to bring out more clearly the circumstances in which a variation to the formula might be required, and how the formula will be applied in these circumstances .

4. **The Appeals Procedure** (Paras 3.37 - 3.43).

The first step would involve the new Child Support Agency reviewing its own decision. The White Paper canvasses two options for the second step:

- appeals heard in the courts;

- the establishment of a new independent Appeals Tribunal (analagous to tax commissioners).

Your concern was to minimise the costs. The Lord Chancellor's letter suggests that officials have concluded that courts would be preferable to a special tribunal. My understanding is that DSS would still prefer the Tribunals route. More work is required on this, particularly to pin down which is likely to be the more cost-effective.

Recommendation

The White Paper should canvas both the tribunal and court options for the appeals machinery.

5. **Work Incentives**

You agreed in July that the White Paper should contain some incentives. But you were concerned that the proposals canvassed then appeared too generous.

Since then the Treasury has toughened up the formula by raising the deduction rate and scaled down the level of the incentives.

The maintenance disregard will only apply to in-work benefits. Tony Newton originally wanted a disregard of £20 a week. The White Paper proposes a disregard of £15 per week. And whereas

DSS wanted to introduce the new measures in October 1991, they will now begin in April 1992.

This gets the balance about right. Over the long-term the number of lone parents on Income Support is expected to decline by 130,000.

Recommendation

Agree the package of incentives proposed in the White Paper.

6. **Costings**

The proposals have now been fully costed since the July meeting. And as a result of the PES negotiations the overall position is much improved. At the Annex is a complete breakdown of the costings. These show (a) the original proposals in July (b) the DSS opening bid in PES (c) the final outcome.

As a result mainly of toughening up the assessment formula and scaling down the incentives, the net savings from this initiative in the long-run have improved from £184 million under the original proposals to £317 million as a result of the PES settlement.

There will of course be an up-front net cost. But over the PES period this is only £79 million (compared to the estimated £135 million in July). The net improvement in the PSDR is likely to be at least £270 million in the long run.

This seems a very satisfactory outcome.

7. **Presentation**

There are a number of improvements which could be made to the

presentation:

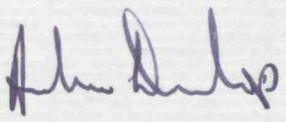
- The flow of the White Paper text is interrupted by the examples. Tony Newton's covering minute refers to this. If examples are needed at all they would be better placed in an Annex. There are also too many of them;

- Para 3.34 refers to what the level of average maintenance awards would be under the new system. This does not follow on from the preceding paragraph which deals with attempts to evade maintenance payments. It, therefore, makes little sense. A new heading is required to make clear that Para 3.34 refers to the total effect of the formula.

  The figures, themselves, are also misleading as they appear to indicate that the new system is going to do less well than the old. This is because the figures refer to averages. The new system is designed to increase the numbers receiving maintenance payments from 300,000 to over 500,000. A large number of smaller payments will therefore, be made for the first time, reducing the average. It needs to be made clear that the reason for the apparent fall in the average payments under the new system is because the total number of payments will go up.

- Para 4.8. This paragraph should be ended after the sentence finishing "... calculated by a formula" (sixth line). The rest of the paragraph is incomprehensible and is superfluous to the argument. I understand this was an attempt to reassure the legal profession who are under a misapprehension as to how the Income Support rules work. If any reference is required, it would be

better for a factual explanation to be offered as a footnote.



ANDREW DUNLOP

ANNEX

Confidential

CHILD SUPPORT AGENCY
cost projections

	£million cash			1990-91 prices
	1991-92	1992-93	1993-94	longrun
A: DSS original proposals (July)				
Benefit savings (variable deduction rates)	-4	-17	-89	-295
Incentives (excluding training)	9	39	70	63
Administration	23	63	41	48
	+28	+85	+22	-184
Net effect of initiative over PES period =£135m				
B: DSS proposals (11 September)				
Benefit savings (30/40/50 deduction rates)	-	-10	-102	-272
Incentives				
FC hours	-	56	53	32
£20 disregard	9	35	35	42
Administration	36	51	91	70
Net effect of initiative over PES period = £254m	+45	+132	+77	-128
C: Agreed settlement				
Benefit savings (flat 50% deduction rate)	-	-30	-195	-401
Incentives				
FC hours	-	49	46	21
£15 disregard	-	20	28	32
Administration	21	85	55	31
Net effect of initiative over PES period: £79m	+21	+124	-66	-317

HOUSE OF LORDS,
SW1A 0PW

POLICY IN CONFIDENCE

18 October 1990

The Rt Hon Tony Newton MP
Secretary of State for Social Security
Richmond House
79 Whitehall
London SW1A 2NS

Dear Tony,

WHITE PAPER ON NEW PROPOSALS

FOR CHILD MAINTENANCE

Thank you for the copy of your submission to the Prime Minister of 15th October and the enclosed draft White Paper.

I am content to make a separate statement in the Lords on the day the White Paper is published and I hope we can make joint arrangements for dealing with the other aspects of publicity. I would be grateful if you would ask your officials to pursue the details with mine.

Before coming to specific comments on the draft White Paper I note there is nothing in it about resources though I have noted what you have said to the Prime Minister about them. My officials have made clear throughout this exercise that they think there will be immediate additional costs for the courts and legal aid from the enforcement and collection procedures which are planned. The original Consultants' report on the administrative costs of the current maintenance system acknowledged that costings could be only broad-brush and provisional and were, in the case of legal aid, "particularly frail". Until it has been possible to settle the detailed policy on how the new system will fit in with the courts' continuing responsibilities in respect of children and their parents, the resource implications for the courts and legal aid will remain unclear. I shall be writing to you about these matters in more detail shortly.

.../2

Turning to the White Paper, I welcome the foreword setting this initiative in the broader context of our review of the family justice system and explaining how it contributes to the overall policy of giving priority to the child's welfare and emphasising the personal responsibility of parents for securing it.

I have a few points on the substance of our proposals which I would want to see reflected in the text.

The White Paper makes no direct mention of whether stepchildren are to be able to claim an award under the formula against a stepparent. My understanding from what is said about the protected earnings level in paragraph 3.23 is that they are not. In that event, paragraph 13 of the Summary is misleading in saying, in effect, that the proposal will reflect current liabilities which include claims by stepchildren. That paragraph will therefore need amending.

I am concerned about the proposal in paragraph 3.18 that a stepchild should be included in the exempt income when his natural parent is dead or untraceable. I see no sustainable distinction between such stepchildren and those whose parents are indigent because, for example, they are physically or mentally disabled or simply incompetent. Accordingly, I think the last sentence of paragraph 3.18 should be replaced by a sentence which says, in effect, that stepchildren will not be taken into account in calculating the exempt income. If that appears too firm a line to colleagues at this stage, I would at least want the issue whether stepchildren should be taken into account and in what circumstances left generally open.

On the rate of deduction, there is no explanation for the proposal to set the reduced rate at 15% once the maintenance bill is met. Further, although a flat rate can be justified where that bill is not satisfied, once it is satisfied it seems to me that there is a case for differential rates depending on the number and perhaps age of the children concerned. Subject to a satisfactory explanation of these two points, I would want the 15% at most to be treated only as illustrative in the White Paper.

There is no mention in the draft of an upper income limit to the mandatory operation of the formula. Those legal interests which I have consulted were unanimous in wanting such a limit: otherwise the formula could produce absurdly high awards and operate inappropriately at levels of wealth where such things as family trusts and settlements are common features. I would therefore want an upper limit canvassed in the White Paper, although I see no need to be precise about its level at this stage.

.../3

I understand that our officials have had further discussions about the venue for appeals and, subject to some matters of detail, have now concluded that the courts would be preferable to a special tribunal and Commissioner. That reflects my own views and, if possible, I would want that conclusion reflected in the White Paper. However, if for some reason it cannot be, then as a matter of detail, paragraph 3.41 will need amending as it could be taken as a firm proposal that appeals on points of law should go to a Commissioner irrespective of where other appeals might lie.

I welcome the proposed power in the new Agency to raise an assessment where an absent parent is uncooperative. In other cases, however, where there is simply a lapse of time while the final assessment is carried through, I am concerned that using a fixed proportion of the "maintenance bill" as the basis of an interim award is likely to be unnecessarily unfair. I see no reason why the Agency should not make the award on the best available evidence about the parties' resources, as well as the bill, perhaps by giving the absent parent a tightly timetabled opportunity to make a statement of means. I would at least want to see that alternative canvassed in paragraph 5.13.

In addition to those major points of policy there are a number of amendments to the text which I would want to see included in the White Paper largely for the sake of detailed accuracy or to remove the risk of readers gaining the impression that we had misunderstood the present law or practice, which would undermine our credibility in proposing changes. The amendments are set out in the annex to this letter.

I regret making so many points on the draft at this stage. Nearly all of them have, however, been raised by officials on previous occasions but have as yet to find their way into the White Paper.

I am sending copies of this letter to the Prime Minister and to Geoffrey Howe, Peter Fraser, David Waddington, Michael Howard, Malcolm Rifkind, Kenneth Clarke, Kenneth Baker, Norman Lamont, Peter Brooke, David Hunt, Tim Renton, Bertie Denham and Robin Butler.

Yours ever,

James.

ANNEX

VOLUME I

1. Paragraph 2 of the Summary. The "inconsistency" is as much, if not more, likely to be the result of the discretionary nature of the law as the fragmentation of the jurisdiction. The first three sentences should therefore be replaced by -

   > "The present maintenance system is unnecessarily fragmented, uncertain in its result, slow and ineffective. It is based largely on discretion. It is also operated through the High Court and county and magistrates' courts, the Court of Session and sheriff courts in Scotland and Department of Social Security offices. The cumulative effect produces uncertainty and arguably inconsistent awards."

2. Paragraph 4 of the Summary. It would be clearer if the word "net" were inserted after "total" in the first line on the second page.

3. Paragraph 8 of the Summary. The second sentence would be better expressed as - "The courts will retain jurisdiction for related matters such as residence of and contact with the child, spousal support, property issues and paternity disputes."

4. Paragraphs 10, 11 and 12 of the Summary read inconsistently. The last sentence of paragraph 10 speaks of the rule applying whether the parents are married or not, whereas the rule in the previous sentence to which it refers itself refers to the man being the woman's husband in cases of artificial insemination and test-tube baby cases. Paragraph 11 in dealing with AID also speaks of the woman's husband and then paragraph 12 speaks of the liability described in paragraph 11 as existing "regardless of whether the parents are or ever have been married". It would be better to drop the references to in vitro fertilisation and AID and AIH cases altogether. The rules are complicated and in transition in the Human Fertilisation and Embryology Bill and the cases very rare.

5. Paragraph 14 of the Summary might be better and more accurately expressed for England and Wales by adding the words "or finish their full-time education or training" after "leave school". The second sentence could then be amended simply to state the maximum age of 25 in Scotland.

6. Paragraph 1.2 is misleading in its first sentence in saying "magistrates' courts which deal with most other cases". Many of the "other cases" are also dealt with in the superior courts. The words "which deal with most other cases" should therefore be omitted.

   The reference to the Matrimonial Causes Act in the third sentence will have to be omitted as the Act does not extend

to Scotland or Northern Ireland.

7. Paragraph 1.5, like paragraph 2 of the Summary, suggests that inconsistency arises from the large number of "actors". As suggested above, it is as much the discretionary nature of existing powers which leads to uncertainty and inconsistency.

   As to the example of the £150 cases, it could appear simplistic and suggest that we are drawing conclusions based on a misunderstanding of the existing law. At present people with the same incomes may be liable for very different levels of maintenance because of other relevant circumstances. That will remain the case under our proposals as well. Accordingly, the examples can only stand if we can say that the relevant circumstances (e.g. obligations, resources and needs of the parties and the children) concerned in each case were the same. If not, the example should be omitted.

   The "going rate" of £18 needs to be qualified by the recognition that in divorce cases and those involving spousal maintenance in magistrates' courts the award to the spouse often includes maintenance for the child. Not to mention that fact may again lead our readers to the conclusion that we do not understand the present system and have based our thinking on a misconception of the true level of awards for the child's benefit.

8. Paragraph 1.6. Again the discretionary nature of existing powers should be mentioned as a reason for the lack of consistency - perhaps by adding "and a wide discretion" after "involved" in the third sentence.

9. Paragraph 3.23. It would help to add the words "and any of his natural children living with him" at the end.

10. Paragraph 3.28 is wrong in law. Liability under existing family law in England and Wales generally lasts until the child reaches 17 and can extend beyond if he is in full-time education or training or there are special circumstances.

11. Paragraph 3.33 is misleading in suggesting that the courts take into account an "earlier, higher level income". What in law they are required to take into account is the man's earning capacity as opposed to his actual earnings.

12. Paragraph 3.34. The purpose or meaning of the ante-penultimate and penultimate sentences is not clear.

13. Paragraph 3.36 is perhaps too absolute in suggesting that the assessment will be purely arithmetical. The Agency may have to exercise some judgment or discretion, for example, in relation to what are reasonable housing costs or inescapable expenses in relation to exempt incomes or protected earnings levels respectively. They will also need to decide who to believe when there is a disagreement

between the parties about, say, earnings. The paragraph needs perhaps to be softened to speak of there generally being no need to exercise discretion in making an assessment.

14. Paragraph 4.2. Property settlement and spousal maintenance disputes do not relate to the care of children. Further, it has not been agreed that stepchildren will be able to continue to claim through the courts. Therefore the second and third sentences need amending, perhaps as follows -

> "The courts will continue to have jurisdiction over related matters such as disputed paternity, residence of and contact with children, property settlements and spousal maintenance."

15. Paragraph 4.3. The last two sentences seem provocative and unnecessary and it would be better to omit them.

16. Paragraph 4.7. As the White Paper leaves the treatment of the family home open (see paragraph 4.8), paragraph 4.7 might better begin with the words "The Government's current view is that...".

The second sentence is inaccurate in law. What the courts are currently required to do is to give first consideration to the welfare of any child. The sentence should be re-drafted as follows -

> "The courts will still be required to give first consideration to the welfare of the child, which includes his need for a home, when settling property issues on divorce."

17. Paragraph 4.8 at the end of the fourth sentence it would help to add -

> "without denying the children a home to live in".

18. Paragraphs 4.9 to 4.11. The use of the terms "variation" and "vary" here, which have a specific meaning in relation to the alteration of existing orders by a court, may lead to some confusion. It would be better to replace those terms with "adjustment" and "adjust".

19. Paragraph 4.10. As drafted, the second sentence reads as a firm proposal to allow courts a general discretion to add to awards to cover school fees. As adjustment is to be left generally open the treatment of school fees should also be left open, though used as an example of a possible case for allowing adjustment upwards.

20. Paragraph 4.11 is misleading. If there were a power to "vary" downwards the child would be worse off. What seems to be meant here is that if the value of some other benefit to the child is substituted for part or all of the formula award then it should not leave the child worse off.

VOLUME II

21. Paragraph 1.2.2. The statement in the final sentence, that the procedures in the magistrates' courts are more straightforward than those in the county courts and High Court, is not acceptable. It should therefore to be deleted.

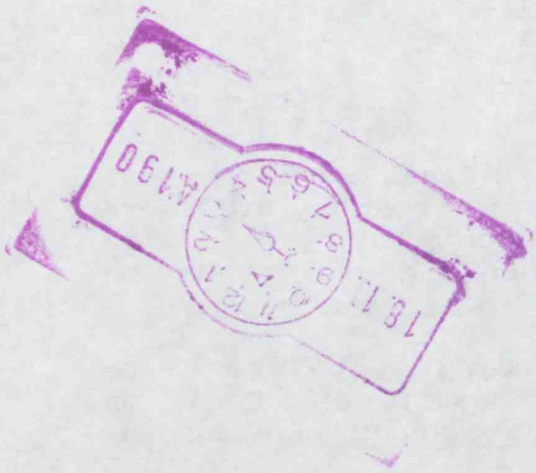
22. Paragraph 1.2.3. "Maintenance pending suit" should be deleted from the list of possible results, as it is an interim measure in the context of inter-spousal maintenance.

    It is possible for the courts to order the creation of a settlement, as well as the alteration of one. The reference to 'trust' is otiose and confusing.

    The reference to a clean break agreement should be taken out because the concept of a clean break only exists as between the spouses and has never applied as between parents and their children.

23. Paragraph 2.3.5 - Figure 7. Not all of the figures are from the Family Expenditure Survey - this should be made clear.

24. Paragraph 4.5.1. The reason for low enforcement in the county courts is not because they are primarily used for divorce proceedings. Generally, people register awards in the magistrates' courts to take advantage of the collection facilities there, and also of their enforcement powers.



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CONFIDENTIAL

PRIME MINISTER

WHITE PAPER ON NEW PROPOSALS FOR CHILD MAINTENANCE

At Flag A is a minute from Mr Newton covering the draft White Paper on Child Maintenance which he hopes to publish before the end of the month. It reflects the outcome of recent PES negotiations. At Flag B are comments from the Lord Chancellor. Andrew Dunlop's comments are at Flag C.

Mr Newton's proposals match very closely the broad lines agreed by colleagues in July. There is a great deal of paper attached and the detail is complex. You may find a brief summary of the proposals helpful as follows:

- a new Child Support Agency to be established as a Next Steps Agency in DSS by the first half of 1993. This will handle all maintenance cases where the caring parent is claiming income support and other cases (for a fee) if one of the parents request it. The Agency will have powers to collect information and to enforce payment, if necessary through attachment of earnings. It will also trace absent fathers;

- a new formula for assessing maintenance (to be implemented by 1992, subject to legislation). This will be used to calculate the great majority of maintenance payments and is designed to be simple and usable. The standard maintenance payment for each child would be equivalent to the amount allowed under income support to support a child and its carer. The absent parent must pay this if they can but the formula takes into account that they must first maintain themselves. They will be allowed to retain enough income to maintain themselves at basic income support levels and a further 50% of their remaining income. The standard rate of maintenance is then deducted from what is left over. If the parents are able to meet the standard payment in full and have some qualifying income left over, they will be asked to contribute a premium to the child's maintenance. This means

the child shares in the standard of living of its absent parent. Where the absent parent is claiming income support, they will have 5% of benefit deducted for child maintenance;

- a right of appeal. It is left open whether this would be through the courts or a separate tribunal system. The draft also suggests that the standard formula may have to be varied in certain circumstance by the courts;

- lone parents claiming income support must identify the father or experience a reduction in their benefit;

- incentives to work will be created by disregarding from in-work benefits the first £15 of maintenance payments from April 1992. The qualifying hours for Family Credit will also be changed from 24 hours a week to 16 hours from April 1992 to make it easier for parents to care for children and work part-time;

Andrew Dunlop welcomes the broad thrust of these proposals which I think represents rather an impressive package. The main points of dispute are:

- how to deal with the cost of caring for step-children; the rule proposed is that maintenance of step-children should fall to the natural father except where he is dead or untraceable. In the latter circumstances only, the formula will take into account that the step-father will have to meet the costs of his step-children first before maintaining his own natural children. The Lord Chancellor and Andrew Dunlop have an essentially technical point on this (see Andrew Dunlop's note). They think the formula should always assume that the step-parent has no liability to maintain his step-children. If there are exceptional circumstances which mean that he must, they suggest that this should be taken into account in another way;

- rates of deduction from qualifying income; it is proposed that up to 50% of qualifying income should be deducted for standard maintenance and up to 15% more where there is income left over. The Lord Chancellor wants to see differential

rates depending on the ages and numbers of children concerned and an upper limit for very high income earners to avoid absurdly high maintenance awards. Andrew Dunlop suggests you agree to the 50% and 15% rates. Two reasons for doing so not mentioned by Andrew are that these rates already form part of the total Social Security PES package just agreed; and more complex rates might make the formula more difficult to administer. Andrew does not deal with the need for an upper ceiling for very high earners;

- deductions from benefit for maintenance; Mr Newton proposes to exempt absent fathers claiming income support from a deduction for maintenance where they are sick, disabled or have a second family to support. Andrew Dunlop suggests that there should be no exemptions where there is a second family;

- variations in the formula. The draft recognises that this may be necessary - eg where it is clear that parents have made provision for private education - but is rather vague on the details. This goes to the heart of the matter: it is important that the formula is simple and only needs to be referred to the courts in very limited circumstances. Andrew I think rightly suggests that the White Paper should be less vague on when variation will be necessary and how the formula itself might be adapted to deal with it;

- the appeals procedure; the Lord Chancellor's letter suggests that officials have decided that the courts would be the best route and wants the draft to make this clear. Andrew suggests that agreement between officials has not been reached and that options should be left open in the draft;

- some drafting amendments. Andrew sets out some changes in the draft which he would like to see. On the whole these seem reasonable. I would only argue with his suggestion that all examples should be removed from the main text. I think the shorter ones are very helpful. Mr Newton has already said he will annex the longer ones.

Content:

- to congratulate Mr Newton and officials on the package and agree to the White Paper being published on 29 or 30 October;

- to the recommendations put forward by Andrew Dunlop and to his drafting amendments (except to the removal of all examples in the main text)?

- to agree to the Lord Chancellor's idea of an upper limit on the rate of deduction to stop absurdly high settlements where there are very rich parents?

CBS

Caroline Slocock
18 October 1990

CONFIDENTIAL

CCPU
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Secretary of State

The Rt Hon Tony Newton OBE MP
Secretary of State for Social Security
Department of Social Security
Richmond House
79 Whitehall
London SW1A 2NS

17 October 1990

Dear Tony

WHITE PAPER ON NEW PROPOSALS FOR CHILD MAINTENANCE

WITH BP?

Thank you for sending me a copy of your letter of ~~15~~ October to the Prime Minister with a copy of your draft White Paper on new proposals for child maintenance.

As you know, I very much support your proposals to improve the child maintenance system and I welcome, in particular, your proposal to include within the overall package a number of measures to further improve incentives for lone parents to work.

I am pleased that the paper stresses that dependence on Income Support is not intended to be a normal way of life for a period of many years for people of working age. I also welcome the importance it attaches to helping those lone parents who wish to work and are ready to do so. I believe that your proposals for a disregard of maintenance in family credit and the reduction in the hours-of-work threshold for receiving family credit should be attractive to lone parents and fit well with my own interest in improving the operation of the labour market.

My Department will continue to do what it can, within limited resources and in the light of our main priorities, to help those lone parents who want to work to do so. The text where it refers to action already being undertaken by my Department is factually accurate but I would like to suggest that paragraph 6.8 should refer to "jobcentre services" rather than "counselling and advice services". I would also ask that your officials look again at the drafting of the final sentence of that paragraph.

Secretary of State
for Employment

As it stands, it could be construed as meaning that my Department will provide places on its programmes for all of the 50,000-75,000 lone parents estimated as likely to leave income support. As you know, the resources I can devote to helping this group are strictly limited and I am not in a position to give such an undertaking.

A copy of this letter goes to the Prime Minister, Geoffrey Howe, James Mackay, Peter Fraser, David Waddington, Malcolm Rifkind, Kenneth Baker, Norman Lamont, Peter Brooke, David Hunt, Tim Renton, Bertie Denham and Sir Robin Butler.

Yours ever

Michael

MICHAEL HOWARD

cst.ps/dr/15nl16.10

CONFIDENTIAL

FROM: CHIEF SECRETARY
DATE: 16 October 1990

PRIME MINISTER

PUBLIC EXPENDITURE SURVEY: SOCIAL SECURITY

I have seen Tony Newton's minute to you of today. I believe the proposals in it are sensible and satisfactory in public expenditure terms.

2. As you know, in this year's Survey we faced large additions on the non-discretionary parts of the social security programme - amounting to roughly £+3.0/+4.1/+7.1 billion. It was therefore of overriding importance on the discretionary part of the programme to secure cuts. What Tony is proposing implies a settlement on the discretionary side of £-32/+48/-36 million. This is a very good outcome indeed.

3. By partially privatising employers' insurance for their employees' short term sickness - a measure already being asked for by some backbenchers - he has found sufficient headroom for the benefit improvements he felt most urgent. John Major has agreed that the extra costs employers will face (which will be marginal) should be partly compensated through a small reduction in employers' national insurance contributions. However, the key point is that half of the saving in public expenditure will feed through to the PSDR, so there will be real savings.

4. At the same time this is an attractive package politically - with the Child Support Agency, an increase in Child Benefit and something for poorer pensioners and on residential care.

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5. The overall settlement does depend heavily on a short Bill in the coming Parliamentary session. I am grateful for Geoffrey Howe's agreement to find space for it early in the session. This is essential to unlock the agreed savings on statutory sick pay and I have made it clear that we would have no alternative but to go back and reconsider the relatively modest agreed benefit improvements without it.

6. I recommend the settlement we have reached as a coherent and balanced package of measures. It recognises the limitations on what can be managed in the current difficult circumstances for public expenditure, at the same time addressing the most cogent of Tony's expenditure pressures.

7. Copies of this minute go to John Major and to Tony Newton.

NORMAN LAMONT

[Approved by the Chief Secretary and Signed on his Behalf]

SM/0238p

POLICY IN CONFIDENCE

Prime Minister

SOCIAL SECURITY BENEFITS: 1991/92 UPRATING

1. In the light of my agreement with the Chief Secretary in the current Public Expenditure Survey, I have recently reported to you how I intend to fulfil your commission to publish before the end of this session a White Paper on the establishment of a Child Support Agency and the related benefit arrangements for lone parents. The settlement Norman Lamont and I have reached also means that I shall now shortly be circulating to colleagues a draft of the statement I propose to make as early as possible next week about the general uprating of benefits. I thought you would wish to have advance notice of the main features of that statement.

2. In general, benefits will be uprated as usual by the appropriate index - the RPI or the "Rossi" index (RPI minus housing costs). There are however two significant exceptions where I have agreed with Norman Lamont that more is needed because of especial pressures.

3. The postponement of local authorities' new community care responsibilities means that social security continues to bear the brunt of demand for support for people in **residential care and nursing homes**. This, coupled with recent research evidence of the level of costs in these homes, indicates that a Rossi uprating would be bound to invite a recurrence of the political difficulties we experienced this year with our own supporters about the inadequacy of the upper limits on residents' Income Support. I have therefore agreed with Norman Lamont a higher level of uprating which can be defended against the research evidence. It will focus particularly on nursing homes.

4. Our strong overall record on pensioner incomes is vulnerable in respect of poorer pensioners, particularly those who have not gained from the spread of occupational pensions. There are signs that, having fallen between 1979 and 1985, the number of pensioners in the lowest income decile is now rising.

5. We have therefore agreed on a £1 greater than Rossi increase in the Pensioner Premium for singles and a comparable £1.50 for couples. The effect of this is to give additional help to all those less well-off pensioners who were not assisted by the increases in premiums for older and disabled pensioners which we made last year. Thus we will be able to say that all less well-off pensioners have had a real increase in the last two years.

6. My uprating statement will however also reflect my agreement with Norman Lamont on two aspects where - both on intrinsic policy grounds and to help curb the cost of my programme - benefits will be uprated by less than the appropriate index.

7. Child Benefit has been frozen for the last three years. A further full freeze would run a now very considerable risk of legal challenge that I had failed to carry out properly my statutory duty to review the value of the benefit. It would also be exploited by our opponents (and those of our own supporters who argue in favour of uprating Child Benefit) as conveying a negative impression of our longer term intentions for family support. I therefore intend to increase child benefit by £1 for each family (25p more than the amount per child which would be provided in an across-the-board uprating). This makes it unnecessary to uprate One Parent Benefit, which would have provided a smaller increase for every one parent family. This selective uprating of Child Benefit will be consistent with a variety of future policy options and will enable us to recapture the initiative when considering proposals for the manifesto.

8. My second major savings proposal relates to Statutory Sick Pay (SSP). In recent years we have seen industry tacitly accepting (in my view rightly) a growing share of responsibility for covering short-term sickness amongst those in employment. Over 90 per cent of employees are now covered by occupational sick pay schemes, with the result that they are in practice affected little or not at all by the prescribed rates of SSP.

9. I intend therefore to make further changes broadly along the same lines as those I made last year, by making a full up-rating only in the standard SSP rate (which goes to lower-paid employees, who are less likely to be covered by occupational schemes), while extending upwards the band of earnings to which it relates. There would be no increase in the higher SSP rate.

10. I propose also to adjust the arrangements under which employers are fully reimbursed for their expenditure on SSP, and move to 80 per cent reimbursement. In parallel with this change - which will not only make an important contribution to public expenditure constraint this year, but give us greater flexibility in this area in the future - I shall make an offsetting reduction in employer's National Insurance contributions, so that the overall effect of this part of my package will be broadly neutral for the costs of employers as a whole.

11. The overall package of changes in SSP and NICs - which I understand Norman Lamont has agreed with John Major - results both in substantial expenditure savings and, even allowing for the NIC changes, a significant gain to the PSDR.

12. The change in the rate of employers reimbursement of SSP will entail a short Bill, and I have the Lord President's agreement to its inclusion in the programme.

13. I believe that these changes represent a satisfactory outcome for Norman Lamont, but will also enable me to make an uprating statement which can be presented to the country and to our own supporters as balanced and responsive to the key pressure points.

14. I am copying this minute to John Major and Norman Lamont.

TH.

16 October 1990

TN

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CONFIDENTIAL

FROM: CHIEF SECRETARY
DATE: 16 October 1990

PRIME MINISTER

PUBLIC EXPENDITURE SURVEY: SOCIAL SECURITY

I have seen Tony Newton's minute to you of today. I believe the proposals in it are sensible and satisfactory in public expenditure terms.

2. As you know, in this year's Survey we faced large additions on the non-discretionary parts of the social security programme - amounting to roughly £+3.0/+4.1/+7.1 billion. It was therefore of overriding importance on the discretionary part of the programme to secure cuts. What Tony is proposing implies a settlement on the discretionary side of £-32/+48/-36 million. This is a very good outcome indeed.

3. By partially privatising employers' insurance for their employees' short term sickness - a measure already being asked for by some backbenchers - he has found sufficient headroom for the benefit improvements he felt most urgent. John Major has agreed that the extra costs employers will face (which will be marginal) should be partly compensated through a small reduction in employers' national insurance contributions. However, the key point is that half of the saving in public expenditure will feed through to the PSDR, so there will be real savings.

4. At the same time this is an attractive package politically - with the Child Support Agency, an increase in Child Benefit and something for poorer pensioners and on residential care.

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5. The overall settlement does depend heavily on a short Bill in the coming Parliamentary session. I am grateful for Geoffrey Howe's agreement to find space for it early in the session. This is essential to unlock the agreed savings on statutory sick pay and I have made it clear that we would have no alternative but to go back and reconsider the relatively modest agreed benefit improvements without it.

6. I recommend the settlement we have reached as a coherent and balanced package of measures. It recognises the limitations on what can be managed in the current difficult circumstances for public expenditure, at the same time addressing the most cogent of Tony's expenditure pressures.

7. Copies of this minute go to John Major and to Tony Newton.

NORMAN LAMONT

[Approved by the Chief Secretary and Signed on his Behalf]

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POLICY IN CONFIDENCE

PRIME MINISTER

WHITE PAPER ON NEW PROPOSALS FOR CHILD MAINTENANCE

1. At the meeting which you chaired on 17 July, the proposals which I put forward at that time were approved as a basis for working up more detailed proposals. In particular, you asked that details on the costs and benefits which would accrue should be decided as part of the negotiations on the Survey and that a White Paper be published before the end of this Parliamentary session.

2. Norman Lamont and I have now completed our discussions on the Survey. In the course of these discussions, we have agree to make some modifications to the detail of the formula and the incentives which were described in my original proposals. These modifications will decrease the costs and increase the savings while preserving all our original objectives for this major piece of new policy. We have also agreed that the startdate for the Agency can be advanced so that the savings will accrue from an earlier date.

3. I attach a copy of the draft White Paper. I hope that this is now close to a final version as it incorporates comments made by officials on earlier drafts. Some work still needs to be done to finalise the presentation. For example, the examples in the main text present helpful material but the text would read more easily if some of the longer examples were contained elsewhere. These presentational changes will not affect the substance contained in this draft.

4. In your speech on 18 July, you indicated that the White Paper would include full details of our proposals. The draft reflects this wish. It sets out clearly the broad strands of the policy which have been decided and which formed part of the Survey settlement. At the same time, it makes it clear that much of the

necessary detail is not yet fully firm. We expect this White Paper to have a large and varied audience. It seems right to demonstrate to that audience that we have a well considered and effective policy by describing its major effects plainly. We have a good story to tell here and it is for us to seize the initiative in telling it.

5. Subject to Geoffrey Howe's agreement on the date, we aim to be in a position to publish the White Paper on 29 or 30 October. I will make a statement in the Commons which I hope to agree with James Mackay. He will then make a similar statement in the Lords.

6. To meet the deadline I should be grateful to receive any comments from yourself or colleagues to whom this is copied by 3pm on Friday 19 October.

7. Copies go to Geoffrey Howe, James Mackay, Peter Fraser, David Waddington, Michael Howard, Malcolm Rifkind, Kenneth Baker, Norman Lamont, Peter Brooke, David Hunt, Tim Renton, Bertie Denham and Robin Butler.

T.N.

TN

15 October 1990

(1)

PRIME MINISTER

CHILD TAX ALLOWANCES AND CHILD BENEFIT

I attach an important note from Andrew Dunlop (Policy Unit) about child support.

You asked the Chancellor earlier this year to consider the reintroduction of child tax allowances. There has been no response as yet.

The Policy Unit note considers two main issues:

- the merits of different approaches to child support
- the action to be taken in the short term.

Review of Child Tax Allowances

Andrew Dunlop's note considers the relative merits of child tax allowances and continuation of child benefit. Each has merits and drawbacks. And the merits of a child tax allowance approach might, from a different starting point, be thought persuasive.

But it does have known disadvantages: it rewards those on higher incomes most; under the separate taxation system it could end up helping the husband rather than the mother; and attempts to refine the approach add to the complexities of the income tax system.

Policy Unit conclude that it may be better to go on with child benefit. Its simplicity (including direct payments to the mothers) and surprising distributional efficacy should not be ignored. It can be thought of as a kind of universal family tax benefit (or even a tax credit). And there may be scope for improving the way in which it works - including Andrew's idea of setting it at Budget time.

Short Term Problem

The immediate issue, however, is what to do about child benefit for 1991-92. The Policy Unit conclude in favour of uprating child benefit in full in 1991-92. The public expenditure cost would be high - some £350 million per annum.

Treasury will resist this strongly. It is a very difficult

public expenditure round. Priority has been given to keeping down community charges. Indeed, Mr. Newton accepts a full uprating may not be possible because of the public spending difficulties. (The costs of the DSS programme are likely to increase substantially in any case because of estimating changes and higher unemployment rather than policy changes.)

Nonetheless, there could be legal problems if the Government were to try and freeze child benefit for a further year.

You may therefore conclude, for the wider reasons set out in Andrew Dunlop's minute, that some increase in child benefit in 1991-92 is justifiable, but at a lower cost than £350 m. Treasury might not resist.

The issue is therefore whether to uprate child benefit in full next year. Other possibilities include:

- a less than full uprating of child benefit;
- a restructuring of child benefit, i.e., so it is paid at a slightly higher rate for the first child, but less for the second and subsequent children; the cost could be contained below £350 m;
- a distinction between children under five (paid at a higher rate for the reasons set out in Andrew Dunlop's minute) and others - again to contain the total cost.

Conclusion

You clearly need to discuss the long-term options on child support with the Chancellor and the Social Services Secretary at some stage. But there is the immediate difficult decision on child benefit.

The Chancellor and the Chief Secretary are coming to see you on Wednesday morning.

Content to discuss with them then their plans on child benefit?

BHP

BHP

28 September 1990

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£17½b — £8½ bn

Soc Sec
Ag. Supp.
H.R.A.
Com Ch
War Widow
VAT on Const.

£3bn reserve

Increase in Spending is £13bn

Discretionary Bids

Transport DTI
NI
Scotland Wales Ehm
Soc. Sec. (—)
Employment. of total programme TEC's all right
Other programmes down
Health
F.C.O. - Manpower

Edn Home Office — Defence
Soc Sec — Residential Homes

CONFIDENTIAL

PRIME MINISTER

28 September 1990

CHILD SUPPORT

You asked the Chancellor some time ago to examine the feasibility of a child tax allowance. He has yet to report back. This issue is now becoming more pressing as it cannot be disentangled entirely from the PES discussions on child benefit.

The immediate question is should child benefit be frozen for a fourth successive year? The longer term issue is whether or not child benefit should be radically restructured or replaced eg. by child tax allowances.

This note assesses the options and recommends that you take an early opportunity to raise this issue with the Chancellor.

Political Context

Your recent speeches on the family have raised the stakes. There is now a widespread expectation that the Government intends to be more supportive of families. Moreover Mr Kinnock has now entered the fray with a speech on family policy which commits Labour fully to restore the value of child benefit to its 1987 value.

There are two further considerations:

1. The ambiguous 1987 Manifesto commitment on child

benefit ("paid as now and direct to the mother") will not run a second time.

2. There is growing pressure (not least from within the Conservative Party) for a more general allowance for child care costs.

All this means that a clear long-term policy position is required.

Guiding Principles

The two key decisions are (a) whether to continue a system of child support which offers some help to all families and (b) whether child benefit remains the best way of achieving this.

The 1985 Green Paper, 'The Reform of Social Security', identified two specific objectives of child support policy:

- to provide help for families generally;

- to provide extra help for low income families.

In recent years greater emphasis has been put on the second objective at the expense of the first.

A clear set of principles on which to base policy is now needed. These might include:

1. **Universality:** the justification for child support is to help parents meet the cost of bringing up children. Although child-rearing is predominantly a matter of private interest, it is not exclusively so. The

country benefits from a new generation of taxpayers and workers. And well brought up children must help social cohesion. On these grounds child support should continue to be available to all.

2. **Taxable Capacity:** the taxation and benefits system should make some allowance for the fact that a family's taxable capacity is less because more people are dependent on a given income.

3. **Neutrality:** The decision of a mother to stay at home to look after the children, or to go out to work, is one for her or perhaps the whole family to take. The tax and benefits system should not influence that choice one way or the other.

Current Position

For the last three years child benefit has been frozen at a rate of £7.25 per child. A proportion of the resulting savings has been used to increase the child allowances within income support and family credit. The aim has been to achieve better targeting of poorer families.

If the objective now is to develop a credible family policy, then this approach is no longer sustainable:

- first, as Keith Joseph has argued "personal cash allowances climb while the only tax recognition of the costs of dependent children - tax-free child benefit - is frozen, so that the effective discrimination against the family with dependent children becomes worse each time personal cash allowances are raised." ("Rewards of Parenthood")

- second, by financing the extra support for poorer families from savings on child benefit the burden falls on other families rather than general taxation.

- third, better targeting of poorer families has its limitations. Only 50 per cent of those eligible for family credit take it up. In addition the Treasury estimate that some 600,000 families on low incomes are ineligible for family credit (e.g. because they are working less than 24 hours a week).

The Options for Change

There are four broad options:

1. Replace child benefit by child tax allowance;

2. Restructure/retarget child benefit;

3. Keep child benefit (with or without uprating), but add other elements in support of the family eg increase Married Couples Allowance;

4. Uprate child benefit.

1. Child Tax Allowances (CTA)

At present child benefit is worth £377 a year per child. The rate of a CTA would need to be £1510 a year per child to produce an equivalent sum for a basic rate taxpayer.

CTAs have obvious attractions. They leave taxpayers with more of their own money. The Treasury estimate that 6

million taxpayers would pay less tax, with 1 million taken out of tax altogether. By contrast child benefit involves taking money from taxpayers in order to give it back to them in the form of cash at the Post Office.

But there are fundamental problems with CTAs:

- CTAs would be of little use to many mothers. Nearly half of married women with children do not work. And of the working mothers about 40 per cent do not earn enough to pay any tax at all. Only a third of all mothers earn enough to take full advantage of CTAs. In order, therefore, to benefit from CTAs many mothers would have to go out to work. This would be a perverse incentive which would cut across the aims of our family policy.

- This problem could be overcome by making CTAs transferable. But this raises another difficulty. One of the most valued features of child benefit is that it is paid directly to the caring parent and is, therefore, more likely to be spent on the child. This would be lost under a transferable CTA. A cash payment would be removed from the mother to give a tax allowance to the father. This is not good politics when we are already losing support amongst younger women. Moreover it would be an administrative nightmare to introduce a CTA that could first be set against the mother's income with the balance offset against the father's.

- CTAs are even more poorly targeted than child benefit. Whereas the cash value of a CTA to a basic rate taxpayer would be £377 per child, it would be

worth £604 to a higher rate taxpayer. And those not on benefit, but not paying tax, would lose out completely. This could be partially rectified by making family credit more generous. But this would increase the numbers dependent on means-tested benefits. And 600,000 low income families would still lose.

The Treasury calculate that the net effect of introducing a scheme of transferable CTAs, with compensation for low income families, would be to reduce public expenditure by £3 billion (as the CTAs would represent revenue foregone). But there would be a £200 million increase in borrowing.

Clearly the numbers of losers could be eliminated by introducing CTAs on top of child benefit. This would be very expensive. Alternatively it might be possible partially to replace child benefit with CTAs: child tax allowances for those with sufficient income to use them, and child benefit for the rest. But what is the point? We would end up with a more complex, and expensive system for no obvious gain. Indeed there would be a perpetual problem of matching the value of benefit to the value of the allowance.

2. Restructure Child Benefit

There are two ways in which child benefit could be retargeted:

a. By redefining eligibility

David Willetts and others have argued that child benefit should only be paid to the under fives. And the payment to them would be doubled to £14.50.

The rationale behind this proposal is that the greatest disruption to family budgets occurs when the wife gives up work to have a baby. The family budget is reduced to one income. And although the costs of children rise as they get older, the mother has greater opportunities to meet those costs by taking on part-time work e.g. when the children are at school.

But the statistics of what actually happens in real life are more complex than that. There is no one clear point at which mothers return to work.

Mothers in Paid Work

Age of youngest child	Full Time %	Part Time %	All Working %
0 - 2	11	19	30
3 - 4	11	35	46
5 - 9	14	48	62
10+	27	45	74

(General Household Survey).

This proposal may seem superficially attractive: More mothers might be encouraged to stay at home when the children are young. But there would be many losers (two thirds of the children attracting child benefit are over 5). And it would generate a no-win argument about the costs of children at different ages. This is frankly not a feasible option for the Manifesto.

b. By means-testing Child Benefit

This would be achieved either by removing child benefit from higher rate tax payers or taxing the benefit.

Neither of these is an attractive proposition:

- it would undermine our credibility as the Party of the family.

- taxing child benefit would also increase the numbers of people paying a high marginal tax rate of over 70 per cent;

- there would be severe administrative difficulties from taxing child benefit. Whose income - the man or woman - do you tax? Which income do you consider for the self-employed?

3. Married Couples' Allowance

An option would be to retain Child Benefit, but add other elements to support the family.

One suggestion you asked us to look at was the idea that the Married Couples' Allowance (MCA) would be increased where the wife is not working.

For example, the MCA might be raised from £1720 to £2000. This would be worth about £1.30 a week to basic rate taxpayers. The cost would be over £200 million.

In theory this proposal would be valuable as a signal towards a more neutral tax system between working and non-working

mothers. But there are substantial practical difficulties in this approach. Restricting the higher rate of MCA to couples where the wife is not working would be difficult to define and enforce. The evidence suggests that women are moving constantly in and out of work: part-time and seasonal particularly. Retargeting the MCA in this way would certainly complicate the tax system and the task of the Inland Revenue.

4. Up-rate Child Benefit

Up-rating next year just for the current year's inflation (assumes RPI of 10 per cent) would cost about £350 million net of the compensating reductions in means tested benefits, (two thirds of this is already allowed for in current spending plans). It would take the rate of child benefit to £8 a week per child.

An up-rating fully to restore the value of child benefit would cost about £1 billion in total. It would take child benefit to £9.50 a week. (This huge commitment was offered by Mr Kinnock in his family ten days ago.) (policy speech

A full restoration of the value of child benefit is clearly out of the question and the Opposition are vulnerable on how they could responsibly afford it. But if family policy is to be a government priority in the run-up to an Election then the one year's up-rating at a cost of £350 million is realistic.

Is such a move justified given the criticisms that are often made of child benefit? I believe it is. For all its faults child benefit has some very positive features:

First, child benefit is not as poorly targeted as is sometimes thought. Only 8 per cent of families receiving child benefit include a higher rate taxpayer. The great mass of it is going to people in middle-income brackets - those hardest hit by high mortgage rates and the Community Charge.

Second, child benefit should not be treated as a social security benefit in the normal sense. It is akin to a child tax allowance in that it offers all families a portion of tax free income. There is a strong case for treating it as such.

Third, it would be a mistake to underestimate the importance of the simple principle of a direct cash payment to the mother. We supported this in 1975 and explicitly iterated it in the 1987 Manifesto. Tampering with it could be politically unwise.

The Longer Term

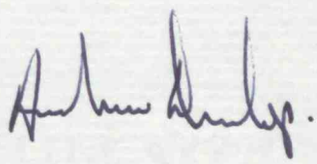
One suggestion worth considering further is that in future child benefit should be dealt with at the time of the budget. Like personal allowances it would be increased by the amount of inflation unless a decision was taken not to do so. This would retain the flexibility to freeze in a difficult year, but would indicate that it was no more likely to be frozen than personal allowances. To reinforce this change the name of child benefit might be changed to, say, a child allowance.

Conclusion

Clearly you need to consider, and discuss, with the Chancellor his promised paper on child tax allowances before taking a firm view on the way forward. However it seems evident that the arguments against a fundamental upheaval of

the Child Support system are fairly compelling.

If we were not starting from where we are now, child tax allowances would be an attractive option. But given that we are, increasing child benefit does seem the simplest and fairest way of giving additional help to families with children both this year and over the longer-term. This could be the last chance to up-rate before an election. It would help to re-establish our credentials as the Party of the family and head-off demands for child care vouchers.



ANDREW DUNLOP

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N.S.P.M.
BHP
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From the Government Actuary
C D Daykin MA FIA

Rt Hon Tony Newton OBE, MP
Secretary of State for Social Security
Richmond House
79 Whitehall
LONDON SW1A 2NS

19 July 1990

Dear Secretary of State

I have pleasure in submitting herewith my report on the Second Quinquennial Review of the Great Britain National Insurance Scheme under the Social Security Act 1975. I am sorry that it has not been possible to produce it earlier, but severe pressure on our very limited resources has made it difficult to give priority to this work when other more immediate and urgent demands were being placed upon us. Our staffing situation has now improved and we expect to achieve a significantly better time to completion on the next Quinquennial Review, work on which is expected to start shortly.

As is traditional with Quinquennial Reviews the report itself contains a considerable degree of detail on the benefits under the scheme, the assumptions made for projecting future benefit costs and contribution income and the projected costs and contribution rates on a number of alternative bases. I would draw your attention in particular to the summary of the Review, which describes the main features. In particular, the report shows that, once allowance is made for the measures included in the Social Security Act 1990, a National Insurance contribution at the current rate of 17.5% for those not contracted-out should prove adequate for the next 40 years if the flat-rate basic pension is revalued each year to maintain its purchasing power. This conclusion is based on a particular set of assumptions, each of which may individually be proved incorrect as the future unfolds. A sensitivity analysis in Section 10 of the report shows what the effect would be of different values for a number of the key assumptions.

It is also emphasized in the summary that fluctuations in the experience may be expected from year to year, for example because of changes in the relationship between prices and earnings, the level of unemployment, etc. Thus a projection of a broadly stable contribution rate for the next 40 years does not guarantee that the National Insurance Fund will not run substantial surpluses or deficits in particular years nor that there will not be pressure at certain times over this period for contributions to be increased or reduced.

Nevertheless, in spite of certain changes to the scheme since 1986 and a number of revisions to important assumptions, the results broadly confirm the conclusions of my predecessor's report on the financial effects of the Social Security Bill 1986 and show that the measures that were taken then to avoid increases in contribution rates which might otherwise have become necessary have successfully achieved their objective.

Since the Social Security Acts provide only for annual upratings of the basic pension to be at least in line with movements in the Retail Price Index, and since continued upratings on that basis over a very long future period would substantially change the relationship of the social security pension to average earnings, it is appropriate for an actuarial report to indicate what the effect would be of alternative assumptions. For the purposes purely of illustrating this effect, I have given figures in the report for the costs of the scheme if upratings of basic pension were in line with earnings in future. Not unexpectedly this shows considerably higher rates of contribution being required, rising to a peak of 25% in 40 years' time.

Arrangements have been made with your Department to have the report printed, with a view to having it laid before Parliament before the summer recess.

I am sending a copy of this letter and of the summary of the report to the Chancellor, who has been consulted by his officials during the course of the preparation of the report, and to the Prime Minister.

Yours sincerely

Chris Daykin

C D DAYKIN

SUMMARY OF THE REVIEW

1.1 A major purpose of the five-yearly reviews by the Government Actuary of the operation of the Social Security Acts is to establish the rates of contribution likely to be required in future years to meet the cost of the benefits provided for under the National Insurance scheme.

1.2 The scheme is financed on the pay-as-you-go principle with the contribution rates set from year to year to produce the income needed to meet current expenditure on benefits and costs of administration. The rates of contribution are determined by the level of benefits and by the relative numbers of contributors and beneficiaries, these numbers being very materially affected by demographic factors. Projections are made for a period of 60 years into the future to illustrate the impact of demographic changes and the gradual maturing of the provisions of the scheme.

1.3 The main benefit under the scheme in terms of cost is the retirement pension, which currently accounts for about 75% of total expenditure. The population at present includes about 10 million people over pension age and this number is expected to remain broadly constant over the next 10 years. Thereafter, with the changing age structure of the population and steady reductions in mortality rates, the number will increase gradually to reach a peak of over 14 million in the 2030s. The numbers in the population at the working ages are expected to remain relatively stable, on the main assumption of births averaging 2.0 per woman in the long-term future. As a result there will be a significant deterioration in the ratio of the number of contributors to the number of pensioners under the scheme which, other things being equal, would require steady increases in contribution rates over the early decades of the next century, followed by a reversal of the trend after the year 2035.

1.4 Another factor which will tend to increase contribution rates is the gradual build-up of the cost of earnings-related

additional pensions. Employees started to earn additional pension in April 1978 and no-one will have earned a full entitlement until 1998. Thereafter it will be a further 20 years or so before all pensions in payment reflect the additional earnings-related element.

1.5 The rates of contribution required to meet the pay-as-you-go cost of the scheme are also affected by changes in the relationship between the flat-rate benefits and the earnings on which contributions are paid. The Act requires the main benefit rates to be reviewed each year and increased at least to reflect movements in the Retail Price Index. However, the income of the scheme arises mainly from earnings-related contributions and will thus grow broadly in step with changes in the general level of earnings, which can be expected over the long term to increase rather faster than prices. If the flat-rate benefits are increased in line with prices the effect will be to offset the increases in contributions required as a result of the other factors referred to above.

1.6 The extent, if any, to which flat-rate benefits will be increased in future by more than is required to maintain their present purchasing power will be a matter for the government of the day, having regard to pressures on public expenditure, the growth of alternative sources of income for pensioners, such as occupational and personal pensions, and other factors. Estimates are shown in the report on illustrative alternative assumptions about future upratings, namely, (i) that, as required by the Act as a minimum, upratings will continue to be in line with the movement in prices and (ii) that upratings will maintain the value of the flat-rate pension in relation to average earnings. For the purposes of these projections earnings are assumed to increase by 1½% a year more than prices and unemployment is assumed at a rate of 5%.

1.7 On the basis of upratings in line with prices and the assumptions set out in the report, the required rate of contribution for those not contracted-out varies little from the

present 17½% over the next 40 years (Table 19), before falling significantly in the more distant future. This broadly confirms the conclusions of the Government Actuary's report on the financial effects of the Social Security Bill 1986 (Cmnd 9711) when measures were taken to avoid the increases in contribution rates which might otherwise have become necessary, even with minimum upratings, in the period up to 2035. Differences from the earlier projections arise from changes that have been made to the scheme in recent years and revised assumptions, including a new set of population projections. On the prices uprating basis the fall in the level of flat-rate benefits in relation to earnings offsets the effect of the adverse demographic trends and the growing cost of additional pensions over the next 40 years. Thereafter a gradual fall in the contribution rate can be expected as the demographic trends are reversed and the impact of the 1986 Act is fully reflected in the costs.

1.8 With upratings in line with earnings, and the same assumptions in regard to other factors, there would be no offset to the factors leading to higher rates of contributions and the required rates for those not contracted-out would rise steadily from the present 17½% to 20% after 20 years and a peak of 25% after 40 years, before declining gradually to 23% by 2050.

1.9 It should be emphasized that these estimates are not forecasts of what contribution rates will in the event be needed but projections of what would happen on the basis of the stated assumptions. The demographic and economic assumptions underlying the estimates are inevitably subject to a considerable degree of uncertainty, particularly for the more distant future, and the effects of variations in the more important assumptions are given in Section 9 of the report.

1.10 Contributions at the current level should be broadly adequate to meet the cost of the benefits and the costs of administration over the next 40 years if benefits are uprated in accordance with the minimum required by the Act. However, considerable fluctuations may occur in the short term because for

example, of changes in the relationship between prices and earnings, the level of unemployment, etc. It may be necessary to make modest adjustments to the rate of contribution from time to time to deal with these situations, since the National Insurance Fund is no more than a working balance and is not intended to be sufficient to smooth out significant fluctuations from year to year in outgo. The report suggests that the Fund should not be allowed to fall below one-sixth of one year's expenditure on benefits and costs of administration.

1.11 The contracted-out rebate, on the assumptions underlying the 1987 review, may be expected to fall from 5.8% currently to 3.4% in 2020-21 because of the reducing cost to occupational pension schemes of providing guaranteed minimum pensions. Thus the net contribution rates for the contracted-out will rise gradually over the next 30 years even though the standard rate of class 1 contribution may remain steady.

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cc PU

Fine JD

SUBJECT

cc MASTER

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

18 July 1990

Dear Stuart,

CHILD MAINTENANCE

The Prime Minister chaired a meeting at 11 am on 17 July to discuss child maintenance. Those present were the Lord President of the Council, the Lord Chancellor, the Chancellor of the Duchy of Lancaster, the Secretaries of State for Scotland and Social Security, the Chief Secretary, the Lord Advocate, the Minister of State, Home Office (Mr Patten), and Sir Robin Butler, Mr Owen, Mr Russell and Mrs Bailey (Cabinet Office) and Mr Dunlop (No 10 Policy Unit). The meeting had before it a minute from your Secretary of State dated 12 June, a Report by officials 'Children Come First' and a minute from the Lord Chancellor of 13 July.

Your Secretary of State said the meeting the Prime Minister had chaired on 20 February had commissioned work on a new system to manage child maintenance, with the aim of making assessment simpler and quicker, and collection and enforcement more effective. The Report by officials accompanying his minute thoroughly reviewed the issues, and he was grateful for the work that had been done in a short timescale to achieve this. The Report made a convincing case on both moral and economic grounds for a major change in the arrangements for assessing child maintenance, and demonstrated that an administrative approach was feasible. Much work remained to be done on the detail of the proposal, but he hoped that colleagues would be prepared to agree in principle that an alternative system was a practical proposition.

There were two major issues. First, he proposed that there should be a move from the current arrangements for assessing child maintenance using the courts to an administrative formula. This would be based on income support levels, which built in an automatic method of review. A formula could be precisely drawn so that a judicial decision was not required, and an independent appeal mechanism could be set up. He envisaged that the formula approach would be available to all separating parents, not just those on benefit, at the request of either parent.

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The second major issue was the machinery through which the process of assessment would be carried out, together with the work of collection and enforcement. He recommended that there should be a single administrative unit with all the necessary powers. Such a unit would be a tailor-made Next Steps Agency. The decision on Ministerial responsibility for the Agency was for the Prime Minister. The choice was between the Inland Revenue, which held the personal information that might be needed to trace parents and ascertain their income; and his Department which had a wide experience in dealing with the main client group. On balance he would prefer the Agency to come under his responsibility.

There were three subsidiary issues on which he would welcome colleagues' views, which would be important in presenting the proposals. The first was whether maintenance should be disregarded in the assessment of income support. He believed not, because that would be likely to raise rather than reduce the numbers of lone parents substantially dependent on income support. He considered, however, that there should be some incentives for lone parents receiving maintenance to work, at least on a part time basis, and he had in mind some adjustments to the operation of benefits available for those in work. Secondly, he proposed that benefit recipients liable to pay child maintenance should not have maintenance deducted from their benefit. This was only sufficient to support them in their present circumstances, which might include responsibility for a second family. Thirdly, he proposed that there should be a general requirement on caring parents who were benefit recipients to co-operate with action to obtain maintenance by naming the father of a child, or providing circumstantial detail to assist in identification, in all but exceptional cases. The sanction would be a reduction of up to 20% in the caring parent's adult income support personal allowance.

Finally he proposed an early announcement of the framework of the proposals in the Prime Minister's speech to the 300 Group the following day. He would then commission a White Paper for publication in October with a view to legislation being introduced early in the new year.

The Lord Chancellor said that he welcomed the proposals for a formula-based assessment for child maintenance and a separate agency to deal with collection and enforcement. The arrangements envisaged would, however, have to avoid conflict with the courts' continuing parallel involvement in determining financial and property provision for both children and spouses, and enforcing it. In principle, he would wish the formula assessment to be applied in all cases where couples could not reach agreement about child maintenance, so as to avoid there being two alternative means of settling the issue. There might be special circumstances where it was necessary to refer a case to a separate authority, but he would prefer this to be the courts, rather than a tribunal or commissioner except where the dispute involved a review of the application of the formula. Because the interactions were so complex, he considered that it was essential to consult with the judiciary and professional bodies on the detailed arrangements. This might mean that it was not possible

to draft legislation in time for introduction in the following session, but it was important to get the matter right and to obtain a degree of consensus.

In discussion the following main points were made:

a. The proposal for a formula-based assessment for child maintenance was welcome. It would both reinforce the lifetime responsibility of parents for their children and provide a clear means for individuals to know the financial implications of those responsibilities. Such systems already operated successfully in other countries.

b. It would be crucial to ensure that the formula was soundly based. The detailed application of a complex formula would inevitably give rise to appeals and disputes which would need to be resolved through an independent machinery. Further thought needed to be given to the handling of such disputes. In cases where the disagreement related to the application of the formula itself, it might be appropriate to use existing machinery, for example the Social Security appeals procedure, to resolve it. In other cases, for example where a dispute related to factual matters, it might be necessary to go to Court. A new tribunal might be difficult to administer and to staff, and it would mean an additional layer of bureaucracy.

c. In principle, there should be a strong presumption in favour of using the administrative formula in cases of dispute, though there should be no bar to private agreements about maintenance. If the formula was to be widely applied in this way, it should be presented as a clear means of working out financial responsibilities. But it was recognised that the formula could not cover every case.

d. The creation of a new Child Support Agency would make the collection and enforcement of maintenance quicker and more effective. It could be used by all separated couples, with those not on benefit paying a fee. It was recognised that some start-up costs would be involved, and that the Agency would be a large and complex organisation. It would be necessary to constrain its scale and costs as far as possible.

e. While there was a case for making the Agency the responsibility of the Inland Revenue, which held much of the relevant information on individual parents, experience in the United States was that this approach might not be successful. There would be no problem for the Inland Revenue in providing information about names and addresses to a DSS agency, and DSS staff already had invaluable experience of this kind of work. DSS should therefore assume responsibility for its management.

f. It was not right for maintenance to be disregarded in assessing income support. Otherwise, lone parents would retain an incentive to remain on income support rather than take up work, and those in the community who maintained

their own children would be obliged also to subsidise the responsibilities of others. Incentives based on benefits for those who work would assist those lone mothers willing to help themselves. The proposals in the Report seemed relatively generous; the detailed arrangements would have to be negotiated in the Survey.

g. Equally, it was right for benefit recipients liable to pay child maintenance to have at least a nominal payment deducted from benefit, in the same way that fines for criminal offences were deducted. While it was difficult presentationally to draw the analogy between maintenance and a fine, and there might need to be exceptions to the rule, reneging on the responsibilities of parenthood was a serious matter which should be treated appropriately.

h. A lone mother claiming benefit must be prepared to name the father of her child in all but exceptional cases. There would have to be a right of appeal, and if necessary scientific tests should be used to establish paternity. There would be a sanction of a 20% deduction in benefit for non co-operation in this respect. A larger deduction might risk having to put children in care, which would not be desirable. Recent changes in DSS administrative procedures had already led to fewer refusals by lone mothers to name the father.

i. The complex interaction between the work of the new Agency and the continuing role of the courts in matrimonial matters made consultation with the judiciary and professional bodies essential. The success of the new system might depend on how well the interface with the courts operated. The revised procedures for enforcing maintenance agreements would reduce the workload of magistrates' courts. One objective of consultation would be to identify the cheapest and most effective way of going to law in cases where the administrative appeals machinery was inappropriate.

j. It was important to keep up the momentum in developing the Government's policy in this area. Detailed proposals should be announced quickly. It would be unfortunate if legislation could not be ready for introduction in the next session, and that should remain the clear aim.

The Prime Minister, summing up the discussion, said that the proposals for a formula-based assessment of child maintenance to be administered by a new Child Support Agency and with wide application were very welcome. Officials should be congratulated for the thorough Report they had prepared on a short timescale. Subject to the points raised in discussion, your Secretary of State's proposals, including the detailed matters referred to in paragraph 8.7 of the Report, were approved as a basis for working up the detailed arrangements. It would be necessary to consult with the judiciary and the professional bodies as soon as possible on the important issue of the interface between the role of the new Agency and the continuing role of the courts. It would be best if possible to publish the White Paper before the Party

Conference, but it should certainly be produced before the end of this Parliamentary Session with a view to the introduction of a Bill in the new year. She would announce the essence of the Government's policy on child maintenance in her speech to the 300 Group the following day.

I am copying this letter to Tim Sutton (Lord President's Office), Jim Gallagher (Scottish Office), Sara Dent (Home Office), Robert Canniff (Chancellor of the Duchy of Lancaster's Office), Paul Stockton (Office of the Lord Chancellor), Stephen Pope (Northern Ireland Office), Lawrence Conway (Welsh Office), Claire Craig (Mr. Patten's Office, Home Office), Alan Maxwell (Lord Advocate's Office).

Yours sincerely,

Caroline

CAROLINE SLOCOCK

Stuart Lord, Esq.,
Department of Social Security.

CE Barker

PRIME MINISTER

CHILD MAINTENANCE

Minute of 12 July from the Secretary of State for Social Security

Minute of 13 July from the Lord Chancellor

1. Mr Newton's minute discharges the remit given to him at a meeting you chaired on 20 February. It proposes that maintenance should be determined by an automatic formula, that there should be a Government unit responsible for making assessments and pursuing payments, that the necessary legislation should be introduced next Session and that the new system should be phased in over 3 years beginning in April 1993. The minute proposes an early announcement in your speech to the 300 Group on 18 July followed up by consultation with the judiciary and the legal profession and a detailed White Paper in the autumn, paving the way for the introduction of legislation early in the New Year.

2. The Lord Chancellor's minute supports the proposals, but draws attention to a number of concerns on how they would interact with court procedures. He proposes that there should be further analysis on these points and detailed consultations on the proposals, and considers that in advance of the outcome of consultations it would be premature to decide to legislate next Session.

DECISIONS

3. Mr Newton's proposals, on which decisions are required, are set out in paragraph 23 of his minute.

(a) Assessment of maintenance

4. The key proposal, on which the whole structure depends, is that maintenance should be assessed by formula becoming so far as possible a virtually automatic administrative process. This

would replace the present wide discretion of the courts. The advantages claimed are greater speed, certainty and fairness and it is expected that the general level of awards on a formula basis would be higher. The Lord Chancellor points out that there are bound to be cases where a formula would not necessarily work - for example where provision has to be made about property or a lump sum financial settlement would be in the interests of the child, or where some variation in the formula is required to deal with special circumstances. These are matters which at present can be handled within the discretion of the courts. As the officials' report makes clear, further detailed work will be required on the operation of the formula, and at this stage you will wish to keep the discussion to general points of principle. You will wish to decide whether the Lord Chancellor's comments cast sufficient doubt on the practicality of the formula approach to make a decision at this stage impossible, before further work has been done.

(b) Establishment of a Child Support Agency

5. The key decision is whether, as proposed by Mr Newton, there should be a new child support agency to handle the assessment of maintenance on the proposed formula basis as well as the process of collection and enforcement. The argument in favour of the proposed agency is that it would relieve the courts of a large and increasing burden in assessment, collection and enforcement. There seems little doubt that a specialist unit, with trained staff and with statutory powers carefully designed for the task is likely to be more effective than seeking to respond to the ever increasing burden within the present framework. The functions of the unit would include identifying and tracing liable relatives, obtaining information on the parents' circumstances, raising an assessment under rules laid down and reviewing assessments regularly; and its powers would be correspondingly wide, including power to decide on method and frequency of payment, and power to take enforcement action to recover arrears, such as distraint of goods. There are difficult

issues here, which will need to be followed up by officials. The Lord Chancellor draws attention to possible difficulties arising from parallel involvement of the agency and the courts in particular cases. He questions in particular whether it would be desirable to have a separate appeal mechanism (such as a tribunal) in relation to agency cases, when the general thrust of family policy is towards having all disputes concerning a child and his family heard together. You will need to decide whether the outstanding issues about the detailed powers and operation of the proposed agency, and in particular its relationship with the courts, are likely to prove sufficiently difficult to call in question a decision to now proceed, or whether colleagues agree in principle that an agency on broadly these lines is desirable.

6. You will need to decide on the scope of the unit's activities. There are two choices:-

6.1 To cover only benefit recipients. This would cover the bulk of cases, and secure the bulk of the savings, but there would be problems as caring parents moved in and out of benefit, with responsibility for maintenance matters shifting between the unit and the courts.

6.2 To allow access to the unit to all parents, those not on benefit being able to obtain its assessment and/or collection service for a fee. Mr Newton argues that this approach is essential if parental responsibility for all children is to be reinforced, not just those whose caring parent is on benefit.

You will wish to explore how the unit's workload would be built up - whether, for example, benefit recipients would be taken on first with the option for others to use it only becoming available later.

7. You will need to decide which Department should be responsible for the unit. The choices lie between the Department of Social Security and the Inland Revenue and Mr Newton favours the former. There is likely to be no serious challenge to that. The issues are discussed in detail in paragraph 15. below.

(c) Work incentives - reducing dependence on benefit

8. The issue is what effect maintenance should have on the recipient's entitlement to benefit. Mr Newton proposes that maintenance should not be disregarded in the assessment of income support, which means that substantial benefits from increased maintenance payments would accrue to the taxpayer. But he argues for adjustments to the operation of benefits available for those in work (for example, family credit, housing benefit and community charge benefit) so that there is an incentive for lone parents receiving maintenance to work, at least on a part-time basis. The Treasury are unlikely to object in principle to the provision of incentives, but will wish to look in detail at the proposals in the course of the forthcoming PES round. They will also have worries about the timing of payment, and would be concerned if the incentives were introduced before the benefit savings resulting from the new approach began to come through. You will wish to decide in principle whether the provision of some incentives is desirable, leaving the details to be settled in the forthcoming PES round.

(d) Deduction from absent parent's benefit

9. You will need to decide whether to accept Mr Newton's proposal that benefit recipients who are liable to support their children should not have maintenance payments deducted from their benefit. Mr Newton's argument is that their benefit is only sufficient to support them in their present circumstances, which may include responsibility for a second family, so that deductions would often disadvantage the second family at the expense of the first. It can be argued on the other hand that

they should be brought within the system, even if only by a token amount, so that they recognise their liability and so that they have less incentive to go on benefit, thereby avoiding maintenance payments, rather than working.

(e) Naming the father

10. You will need to decide whether there should be a requirement that a caring parent receiving benefit should claim maintenance. In the bulk of cases this effectively means a requirement on a single mother to name the father of her children. The argument for this is that a mother should not be able to transfer responsibility for maintaining her children from the absent father to the taxpayer without good cause. This is a sensitive area, and Mr Newton recognises that provision will have to be made for exceptional circumstances, while the officials' report notes the need for sensitive handling by specially trained officials. Mr Newton proposes that there should be a sanction on caring parents who refuse to name the absent parent and claim maintenance, involving a reduction of up to 20% in the caring parent's adult income support personal allowance. You will wish to decide whether this general approach is acceptable.

Timing

11. You will wish to decide whether the proposals are sufficiently well worked out for you to refer to them, as proposed, in your speech to the "300 Group" on 18 July. As noted above, a great deal of the detail has still to be worked out including important questions about the formula, benefit incentives, coverage and phasing and the Lord Chancellor has mentioned significant difficulties. But the advantage of an early announcement is that it will help clear the way for consultation and further detailed work.

12. You will need to decide when and on what basis the Lord Chancellor should consult the courts and the judiciary. Mr Newton proposes that this should happen after the 18 July announcement. You will need to consider whether there are any difficulties or questions of propriety vis-a-vis the judiciary about this sequence of events. The Lord Chancellor appears to envisage wide-ranging and detailed consultations.

13. You will need to decide on the target timetable for implementation. It is proposed that the unit should be fully operational by April 1993, and should take on case load over a 3-year period. You will wish to test how robust these assumptions are and whether there is a significant risk of slippage. If the timetable is accepted, legislation will be required next Session. To ensure a smooth passage, it will need to be ready for introduction no later than immediately after the Christmas Recess and you will wish to seek assurances from Mr Newton that this is possible. It is not a matter for this meeting, but you should note that the Business Managers would need to find an offsetting cut in the provisional programme.

DEPARTMENTAL RESPONSIBILITY FOR CHILD SUPPORT AGENCY

14. Mr Newton says there are strong arguments for the proposed unit being a Next Steps agency. This seems sensible. The whole thrust of the proposals is to enable maintenance to be handled more efficiently as an essentially routine administrative task, and Next Steps principles seem highly relevant. The body could in theory be an NDPB but that might make is somewhat more difficult to justify release of Inland Revenue information. You will wish to confirm that the proposal that the unit should be an agency is acceptable.

15. The question then arises of Ministerial responsibility. It is important that there should be an early decision on this point, so that the lead responsibility can be clearly identified

in order to carry the remaining work forward with all speed, in particular the preparation of legislation for next Session, if that timetable is agreed. There are two choices:-

15.1 Department of Social Security. The arguments for responsibility to DSS are that it is their public expenditure programme in respect of which the major savings will be achieved, that DSS are already in contact with a high proportion of the agency's client group and have considerable expertise in dealing with related issues. The argument against DSS is that, because it stands to make savings, the creation of the agency might be seen as primarily, if not solely, for that purpose, with a loss of credit for the more fundamental benefits of the change.

15.2 Inland Revenue. The main argument for placing responsibility with the Inland Revenue is that they hold information on names and addresses, which would be important to help trace absent parents, and on incomes, which would be helpful in making assessments of maintenance. Also, they have powers for tax collection similar to those envisaged for the unit, though these would, of course, have to be extended to cover maintenance. There would be no problem for the Inland Revenue in providing information about names and addresses to a DSS agency, something which is already precedented. There would be difficulty about providing information on taxpayers' incomes without their consent, but the Inland Revenue advise that such information would not, in any case, normally be particularly helpful for maintenance assessment since it is generally about 2 years out of date. The Revenue consider that, in cases where an individual wished information on his tax position to be passed to the child support agency, for example where he was contesting their assessment, it would be perfectly straightforward for him to authorise the Inland Revenue to do so.

The balance of these arguments seems to point towards allocating responsibility to DSS and you will wish to seek the agreement of colleagues that they are content with this.

COSTS AND SAVINGS

16. The following estimates of costs and savings have been agreed between DSS and the Treasury and are broadly consistent with the figures presented in paragraph 9 of Mr Newton's minute. The following table summarises the expected level of annual costs and savings once the system is up and running, and gives details of start-up costs on items such as computer equipment.

Benefit savings to DSS

1.	Savings from measures initiated this year[1]	£85m
2.	Further savings from formula/ agency proposals	£295m
		£380m

Net of

1)	Incentive measures for lone parents	£80m
2)	Running costs[2]	£40m
		£120m

Net benefit savings to DSS £260m

Start up costs:
£90m spread over 6 years

Note (1) The measures initiated this year involve the deployment by DSS of increased resources to chase up absent fathers, including pressing benefit recipients more strongly to name the fathers of their children and assistance from the Inland Revenue in identifying the employers of absent fathers, so that attachment of earnings can be more efficiently accomplished.

(2) Gross additional running costs falling on DSS are estimated at £60m. Savings outside DSS and income from fees bring the net figure down to £40m. The amount of additional running costs cover which DSS will require will have to be negotiated with the Treasury.

HANDLING

17. You will wish to invite Mr Newton to introduce his proposals. You will then wish to invite initial comments from the Lord Chancellor. You may then wish to work through the matters requiring decision as set out above.

A M RUSSELL

13 July 1990

13.07.
P130

HANDLING

17. You will wish to invite Mr Newton to introduce his proposals. You will then wish to invite initial comments from the Lord Chancellor. You may then wish to work through the matters requiring decision as set out above.

A M RUSSELL

13 July 1990

13.07.
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cc Baldwin

PRIME MINISTER

13 July 1990

CHILD MAINTENANCE

Much progress has been made since your last meeting in February. Further work has shown that a new system for assessing, collecting and enforcing maintenance - along the lines you suggested - is a viable proposition.

Not all the details have been sorted out: but these are essentially second order questions. You should be in a position now to take decisions on the main planks of a new policy.

The timetable is crucial. The advice is that legislation is possible on all aspects of the package in the next session. From a political point of view, this offers the only chance of doing something this side of an election. If we are to publish a White Paper in the Autumn, work needs to start almost immediately.

Nr Newton's Proposals

The main features are:

(a) to establish a **child support unit**, as an executive agency, with responsibility for assessing child maintenance and enforcing its payment;

(b) to make its scope **universal**. Those on benefit will be required to use its services. Everyone else will have access to it also, for payment of a fee;

(c) to use a standard **formula** to assess the amount of maintenance due in each case. We do not need to decide the details

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of the formula at this stage but it would have the following general features:

- it will reflect the ability to pay. Every absent father will be allowed an exempt income on which he will not be liable to pay maintenance. This will be set at a level which (i) gives him enough to live on (ii) maintains his incentive work. In effect this would be set at a level equal to the personal allowance in income support plus an allowance for reasonable housing. The maintenance bill would be met from the non-exempt income.

- the maintenance bill to be met will reflect the basic day to day living costs of children and the parent as carer. Again income support rates would provide a convenient benchmark. Absent fathers would be expected to provide as a minimum (resources allowing) maintenance for their family equal to the amount of income support for which the family would qualify if they were wholly dependent on means-tested benefits.

- the formula would allow children to share in their fathers' rising standards of living. The aim would be that all those on average earnings would in general meet the minimum maintenance bill (outlined above) in full. This merely reflects the real world where families with average earnings (and which stay together), would not be dependent on benefits in any way. Children would receive a proportion of any earnings above the level of the minimum maintenance bill.

(d) to provide for an **appeals procedure**. This could either be done by a specialist tribunal (analogous to the tax commissioners) or through the courts.

(e) to include a mixture of **carrot and sticks** to encourage lone parents to pursue maintenance. This would include: sanctions on women who failed - for no good reason - to co-operate with the child support unit; improvements to family credit to ensure that the extra maintenance lone parents received is not automatically docked off their benefits.

Detailed analysis (See Annex C of the report) indicates that these measures would:

- increase the proportions of lone parents receiving maintenance from around 30 per cent to 50 per cent (this is a conservative estimate: a similar system in Australia approximately doubled the number of fathers providing maintenance to around 70 per cent);

- increase the amount of maintenance collected for those on benefit by nearly £300 million a year in the longer term. At present only £180 million is collected a year. Just 7 per cent of the cost of means tested benefits paid to lone parents;

- take 100,000 lone parents off income support.

The rest of this note discusses the main issues which Minister's need to decide at this stage and makes firm recommendations on each.

Child Support Unit

If we are to tackle the problem of the low levels of maintenance paid and to make absent parents face up to their responsibilities then firm action is required.

The existing system works badly because:

- pursuit of maintenance is given a low priority by DSS officers, who not unreasonably see their main priority as paying benefits;

- there is no incentive for lone parents to claim maintenance. Means tested benefits are available irrespective and some 95 per cent of claimants would be little or no better off with maintenance;

- even where maintenance is claimed it is rarely uprated regularly to reflect changing circumstances;

- using the courts to claim maintenance is slow (50 per cent of cases in Magistrates' Courts, for example, took more than 7 weeks);

The approach proposed is an interventionist one. This is inevitable if the primary objective of reform is the moral one of re-establishing traditional family values.

Moreover the proposals have four clear advantages:

- a new unit would be dedicated to a single function with less scope for distraction;

- the onus on lone parents to pursue alone recalcitrant fathers would be removed;

- the process would be a much easier alternative to long-drawn out court procedures;

- the burden on the courts would be reduced.

There can be little doubt this is the right approach. There are two further points, however, worth noting.

First, size. A unit of this sort will mean additional civil servants: a figure of 2,400 has been mentioned. Size should be kept to the minimum necessary. On the current costings total enforcement costs of the unit are 14 per cent of the expected yield. This is better than the existing system (17 per cent), but high compared to DSS fraud work (12 per cent).

Advice from the private sector on how best to organise this unit might be wise.

Second, location The report indentifies DSS and Inland Revenue as the two main candidates. We originally argued for the new unit to be located within the Inland Revenue for two reasons:

- it was unattractive presentationally for the unit to be associated directly with DSS (it would send the signal that we were only interested in saving money);
- access to confidential Revenue information on incomes was necessary.

A free-standing Next Steps Agency gets over the first problem. As regards the second, DSS propose a solution that does not rely on revenue income data. Where individuals fail to produce the necessary information, an assessment for the full amount of the maintenance will be made automatically. The individual will then have the choice of paying this amount or (if he considers it too much) co-operating with the system.

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Recommendation

A new separate agency should be established to assess, collect and enforce maintenance.

Universality

The arguments against restricting the system to those on benefits - by making it open to all - are strong:

- two different systems running parallel would be unnecessarily costly;

- it would be more difficult to reduce dependency on benefit. Lone parents moving off benefits would suddenly be faced with the sole responsibility for pursuing maintenance, whereas if they were back on benefit the unit would be there to help. Moreover, the unit could prevent people becoming dependent on benefits in the first place;

- it will encourage public support for the system. Universality avoids creating the impression that the Government's main aim is to save on benefits.

Some may question using the power of the state to enforce entirely private obligations. But there is an implicit contract between parents to provide for their children. It is in the public interest to see that this contract is fulfilled. Moreover, where benefits are not an issue, the Unit will only become involved when one of the parents request them to do so.

Recommendation

The new system should make access to the services open to all.

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Formula

The arguments for a formula are straightforward: awards will be fairer (no longer subject to the vagaries of the courts) and will be quicker.

The objective must be to have a relatively simple formula. This should nevertheless not be so crude that it provokes an avalanche of appeals. This would defeat the whole object of the exercise. The DSS approach of basing the formula on income support levels strikes the right balance.

There are also important second order questions which need to be resolved in the context of the White Paper. The Lord Chancellor's minute refers to some of them. They include how to deal with property, lump sums, variations in the formula and how stepchildren are to be treated. None of these are show-stoppers. I have confirmed this with the Lord Chancellor's Department this evening. They agree that:

- a formula approach is practical;
- it could be administratively applied.

Recommendations

A formula for assessing maintenance should be introduced. It should be operated administratively and be based on Income Support rates.

Incentives

Tony Newton proposes a maintenance disregard for in-work benefits only. He also proposes to reduce the hours which lone parents have to work to qualify for family credit from 24 hours a week to 16. The total cost would be £80m a year in the longer term.

He is right to argue for this:

- at present there is little incentive for lone parents to pursue maintenance. Family Credit claimants keep less than a third of their maintenance at the margins because of the 70 per cent taper;

- the only way in which the welfare dependency of lone parents will be substntially reduced is if it is easier for them to combine some work with looking after their children. At present for all practical purposes they have to work full-time to be eligible for Family Credit. A relaxation of the hours rules will make it easier for lone parents to work part-time.

- there is a presentational attraction to being able to demonstrate that the package includes carrots as well as sticks.

The Treasury may accept the need for some incentives, given that overall this initiative will produce considerable net savings. They are concerned about the high net cost of establishing the system in the early years. A possible compromose might be:

- **Timing**: the Government could announce its proposals on incentives in the White Paper. But implementation could credibly be left to the moment when the new system was fully up and running. This would coincide with the moment when savings had started to come on stream. It would certainly ease the pressure in the early years.

- **size of disregard**: the DSS costings assume a £20 disregard. It may be too generous. The earnings disregard for

lone parents on income support is, for example, £15. This should be left for DSS to sort out in negotiations with the Treasury.

Recommendation

Incentives along the lines suggested by DSS should form part of the package. Treasury and DSS shold be left to negotiate their size and timing of implementations.

Naming the father

Tony Newton proposes sanctions where lone mothers fail to co-operate in pursuing maintenance. This is particularly important were there is a refusal to name the father.

The evidence from the United States is that sanctions are seen as an essential part of the systems operated in Massachusetts and Wisconsin. Their effectiveness is similar to that of the nuclear deterrent. It is the threat of their use, rather than their actual use, which does the trick.

It is obviously right that there should be exceptions where there is a genuine fear of violence etc. But it will be important that the Unit is seen to use its discretionary powers reasonably. As you know, the decisions of DSS officers on the Social Fund have been subject to judicial review. The rules on what can be taken as evidence of non-cooperation by lone parents will, therefore, need to be carefully drawn.

Recommendation

The Unit should be given the power to reduce the benefits of a lone parent who refuses to co-operate for no good reason.

CONFIDENTIAL

Deductions from Benefit

Tony Newton argues against making a nominal deduction from the benefits of absent fathers.

The grounds on which he does so are unconvincing.

First, he argues that income support does not include any element for the expenses of children not living in the household. He says that to deduct for such expenses would be seen as illogical and unfair. This misses the point. Income support does not contain an element for fines either. But if a benefit recipient commits an offence, the resulting fine is deducted from benefit. So there is no great issue of principle here.

Second, he argues that any sum which is deducted will benefit the DSS, not the caring parent and his children. This is a red-herring. The whole point of a nominal deduction of benefit is to send a clear signal that no-one should think they are able to escape their parental responsibilities. Without such a deduction these reforms will have little effect on the future behaviour of all those on Income Support who might otherwise become absent fathers.

There is a further argument for making deductions from benefit: it lowers the barrier to work. If someone on Income Support is at least paying something towards the maintenance of his children, he will not suddenly be faced with an entirely new obligation if he moves off Income Support.

Recommendation

A nominal sum should be deducted from those absent fathers on income support.

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The Timetable (See Annex O of the report)

The timetable proposed is tight, but feasible. If it is to be achieved early decisions are required on the issues outlined in this note.

My understanding is that the Lord Chancellor has no difficulty with the timetable insofar as we should:

- trail the broad outlines of the policy in your speech to the 300 Group (indeed this idea was encouraged by his Department) as it would allow for early informal consultation with the Law Society and the judiciary);

- publish a White Paper (with green spots) in the Autumn;

- aim for legislation next session and work towards that end.

His difficulty may come with introducing a bill as early as January. If we are to do that Parliamentary Counsel will need to receive initial instructions in September. At the end of the day this decision is a political one. Do you want to legislate before the next election? In support of this objective, it is not unknown for the Government to put down amendments to its own bills! Moreover much of the detail of the formula etc can be dealt with by means of secondary legislation.

Recommendation

Work should proceed on the basis that we aim to stick to the timetable outlined in Tony Newton's paper.

ANDREW DUNLOP

HOUSE OF LORDS,
SW1A 0PW

Prime Minister

Review of Child Maintenance

1. I welcome proposals for a formula based assessment of child maintenance and improved investigatory, enforcement and collection machinery, all of which should improve the lot of children and, by removing uncertainty, reduce the level of stress and conflict on family breakdown.

2. Broadly, the proposals made by officials in "Children Come First" fit in as an integral part of the review of the family justice system announced in the course of the Children Bill last session and it is important, I think, that we present them as such. Seen in isolation they might be characterised as cost cutting and as anti-fathers: were that to happen it could prejudice their popularity and the rest of the review.

3. Officials have inevitably concentrated at this stage on designing a model to deal with periodical payments to children. I am concerned, however, that of necessity they have been unable to consider in much detail how that model would interact or be co-ordinated with

(a) the courts' continuing and parallel involvement in determining financial and property provision for both children and spouses and enforcing it;

(b) court orders for such provision;

(c) benefit entitlement and

(d) existing cases or orders.

I am also concerned that it should be possible to depart from the formula in special circumstances. I attach a note covering all these matters in more detail.

4. The matters mentioned above raise complex and detailed issues which in my view require systematic analysis and should be the subject of detailed consultations, not least because, state benefits apart, our officials have limited experience of and information about practice in the area of financial provision and property adjustment on family breakdown. Accordingly, there may be matters requiring our attention which have not yet been identified. Until we see what consultations produce I think it would be premature to decide whether to legislate next session.

5. Finally, I should add that I continue to believe that there will be immediate additional costs for the courts and legal aid from the more effective enforcement and collection already planned. The extent to which these will be offset by the introduction of a new system depends crucially upon that system's effectiveness. If the new system were not a success not only would our policy be compromised but we might face increased costs overall. The resource implications, therefore, cannot properly be assessed until we have clarified the detail of the outstanding issues.

6. I am sending copies of this memorandum to Geoffrey Howe, Tony Newton, Malcolm Rifkind, David Waddington, Peter Fraser, Kenneth Baker and Norman Lamont and to John Major, Peter Brooke, Kenneth Clarke, David Hunt and Sir Robin Butler.

13 July 1990

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NOTE

Parallel Involvement

1. If the investigation of means, assessment of child support and enforcement and collection were taken over from courts by an agency, it would mean many lone parent families having to seek support piecemeal from two separate bodies, with the courts remaining responsible for lump sums and property transfer orders in favour of both the child and the caring spouse and also for periodical payments in respect of the caring spouse.

2. With two separate organisations operating on the same facts when investigating and assessing claims and on the same income and assets when enforcing them, there would be a high potential for double handling, inconsistency and conflict which could bring the system into disrepute and prove unnecessarily expensive. For example, although the same facts are likely to be relevant to the courts when making orders and the agency when operating the formula, two enquiries might be undertaken. Or again, the courts and the agency might make inconsistent findings of fact in assessing spousal and child maintenance respectively. Or the courts' continuing power to adjust property rights between spouses might undermine a formula assessment by, in effect, increasing or decreasing either party's income or, say, the housing costs of the liable parent and hence his exempt income under the formula. A further example of difficulty might arise from a large maintenance award to the spouse which left little over for an award by the agency without reducing the liable parent's income to less than benefit levels. And there could, for example, be direct conflict or competition if the agency attempted to enforce arrears in respect of child maintenance against property which the court also wished to use to meet arrears of spousal maintenance.

3. The problems of parallelism might be compounded if, as the officials' report suggests, a special tribunal were set up to determine disputes arising from the formula assessment. Further, given that the general thrust of family policy is towards all disputes concerning a child and his family being heard together,

it must be questioned whether it is desirable to isolate assessment disputes in a separate tribunal, especially if orders made by the normal courts were to be reasons for varying the formula (see paragraphs 4 to 6, below).

Other Orders for Providing Child Support

4. Courts in Australia and the USA have power to vary the amount payable under the formula where support is provided by the payment of a lump sum or transfer of property for the child's benefit. It would be a backward step if a lump sum or property transfer could not be substituted for all or part of the liability for periodical payments under a formula. One has only to think of the man, especially if self-employed, whose income fluctuates, is precarious or difficult to keep track of, to see how it might be in everyone's best interests (including the taxpayer's) to seize on a capital sum or property to provide support for the child.

5. There may also be a knock-on effect in providing a home for a child if the formula is too rigidly applied. At present there can be a trade off between periodical payments and transfer of all or part of the absent parent's share in the family home so that the caring parent and child may remain there or the proceeds of its sale be used to buy a new home. Even if we change the law to require the courts to give a high priority to the children's need for a home (as the officials' report suggests), both the courts and the absent parent may be less ready to do so unless it is possible to modify the sum payable under the formula. The result might be that more caring parents and children could be forced into the rented sector and face increased risks of homelessness.

6. It is, of course, important to avoid undermining the benefits offered by a formula. However, there are means of limiting the extent and circumstances where the formula sum may be altered, and the limited experience in Australia and in the USA seems to suggest that flexibility of this sort need not necessarily open a flood gate.

Special Circumstances

7. The officials' report suggests that it should be possible to vary the formula to avoid hardship. There may be other circumstances where it should also be possible to depart from the formula. For example, if the absent parent has wilfully reduced his income the courts at present can make orders based on his true earning capacity. Unless there is a power in future to vary the formula upwards in such cases it will open a novel means of evasion. In the same way, it might, for example, be useful if the formula could be varied upward to meet school fees in cases where children were already being privately educated but where the formula would not produce sufficient monies to meet the fees. Dependent stepchildren might, as the report indicates, be another example of a special circumstance which should allow the formula to be varied.

Benefit Interface

8. It is necessary to be clear about how the new proposals might affect entitlement to benefits. At present courts and legal advisers take benefit entitlement into account in making orders for or agreeing child maintenance. In principle that is something reform should aim to prevent and the formula should help in that respect. However, there is a need to be aware of the likely "losers", if only to be ready to meet the inevitable complaints. An example is mortgage interest. At present, in cases where even a high maintenance award would not enable the caring parent to meet the mortgage, it seems awards are sometimes calculated to keep income support, and hence mortgage interest, in payment by the state and thus preserve the family home for the children. Such a practice is not perhaps defensible, but preventing it may cause criticism if the result is to worsen the position of the individual children concerned.

9. Another example of difficulty in respect of benefit is enforcing maintenance against low earners. Doing so may result in the second household becoming dependent on state benefit such

as Family Credit. If that were to happen, the net result might produce two households receiving means tested benefits rather than one. Again, that may be acceptable but it is the sort of matter which needs to be fully explored before public discussions take place.

Existing Cases and Orders

10. It will be necessary to consider how the new formula assessment could affect existing cases. For example, there may be cases where a child is currently receiving little by way of periodical payments because, as part of an overall package for his and the caring parent support, the absent parent provided a lump sum or property instead. In such cases, should the child be able to claim maintenance calculated under the formula (the money or property might, for example, have been dissipated)? Further, on what basis, for example, should variations of existing orders be made once the new system is in force?

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CONFIDENTIAL

PRIME MINISTER

LONE PARENTS AND CHILD MAINTENANCE

You have an ad hoc meeting of Ministers on Tuesday to consider the proposals which Departments have been working on following your announcement in the National Children's Home speech. You may like to take a look at these papers over the weekend, particularly as we are aiming for you to announce the main proposals to the 300 Group on Wednesday.

I enclose:

Flag A Handling brief from Muir Russell in the Cabinet Office. This issue has produced a lot of paper and you will find Muir's brief very helpful in summarising the proposals and highlighting the key decisions. However, the brief suggests that the Lord Chancellor's comments cast some doubt over your being able to make an announcement on Wednesday. Andrew Dunlop (see below) is reassuring on this point, having spoken to the Lord Chancellor's office;

Flag B A brief from Andrew Dunlop. By and large he agrees with what is proposed by Mr Newton and sees no difficulty with an announcement on Wednesday. His only main point of disagreement is that he feels a nominal sum should be deducted from the income support of absent fathers to cover maintenance. Andrew supports Mr Newton's proposal to include some incentive in the system for parents on income support to return to work but suggests a compromise if the Treasury are unhappy with the cost;

Flag C A paper from Mr Newton setting out the proposals. You will recall the difficulty you had in getting things moving in this area. Mr Newton has now come up with some very far reaching and constructive proposals and you might like to make a point of praising him for it.

Flag D A minute from the Lord Chancellor raising some relatively detailed points. He is the only colleague so far to comment.~ no further comments received today

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Caroline Slocock
13 July 1990

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PRIME MINISTER

CHILD MAINTENANCE

Introduction

At the meeting which you chaired on 20 February, you commissioned work on a new system to manage child maintenance, with the aim of making assessment simpler and quicker, and collection and enforcement more effective.

2. The report prepared by my officials in conjunction with those in colleagues' departments is attached, with a management summary highlighting the main proposals. There is obviously much still to be done on working up the detail, and precise figures will need further discussion between myself and Norman Lamont. But I have no doubt that the proposals do provide a firm foundation on which to base action to reinforce our objectives in this important area of family policy.

Present System: the need for change

3. The present system is not delivering the goods in the way that we should all like to see. Assessments are not consistent; they often do not bear any strong relationship to the actual costs of maintaining a child even when there is prima facie evidence that the liable person would be able to afford to pay more; and there is no standard method of review. Collection and enforcement procedures do not work sufficiently promptly or reliably. The net result is that fewer than one third of children who have a person liable to maintain them are actually in regular receipt of maintenance.

4. We must devise new arrangements which will deliver a better product equally to all children where maintenance is an issue, whether they are on benefit or not, so as to reinforce the personal responsibility which all parents have towards their children. The arrangements should be capable of dealing not only with fathers who irresponsibly desert their families, but also with the wide range of circumstances where partnerships break down with children involved; and indeed, at the opposite end of the spectrum with mothers who leave their families or who choose to cut themselves and their children off from further contact with the father.

The Wider Context

5. Any new system of maintenance must be seen in the context of the review of the family justice system on which the Lord Chancellor is already embarked. I believe the recommendations of the report are fully consistent with the principles and aims of that review. I am equally sure, however, that we can look at maintenance separately from the timetable for implementing all aspects of that review, and take early action on it.

Proposals for Change

6. The remainder of this minute comments on the major issues on which we need to take decisions now in order to carry that action forward. My proposals rest first and foremost on establishing more clearly the proper responsibility of parents, and a proper boundary between these individual responsibilities and those of the state. But there is, too, a strong practical case for them on financial grounds. Even allowing for the start-up and running costs of the child support agency I propose, and of some measures, at a cost slightly under £80 million, to improve incentives, our programme of initiatives (including savings from measures put in place from this year) will together yield over £250 million net a year in the longer term. Even without the savings from this year's measures, the additional net overall savings would still be around £175 million.

(a) Assessment by Formula

7. First, you asked us to look at whether an effective formula could be devised so that assessment should be, as far as possible, an objective administrative process.

8. Although work remains to be done on its precise construction, I am confident in the light of the work already carried out that such a formula can be devised. It should be based on Income Support levels: this is consistent with our other policies on family support, and it builds in a method of review. Moreover, any other approach would undermine the basis of the Income Support personal allowances by giving status and credence to a different measure of the "needs" of children.

9. Such a formula would be suitable for administrative assessment. It can be so precisely drawn that the intervention of a judicial decision is not required; and an independent appeal mechanism can be set up, in accord with many precedents, to tribunals or commissioners appointed for the purpose. It would thus be possible to move the whole process out of the courts, making it both more rapid and less adversarial. Administrative assessment of maintenance, relieving the burden on the courts, would in itself be a significant gain, and I suggest we proceed on this basis.

(b) A Child Support Agency

10. The second major issue is the machinery through which the process of assessment would be carried out, together with the associated work of collection and enforcement. I recommend that this should be the responsibility of a single administrative unit with all necessary powers.

11. There is a strong case for such a unit being a self-standing "Next Steps" Agency, and I recognise the force of officials' arguments that Ministerial oversight of that Agency should belong to me. An early decision on which department is to own such an agency is vital: the timetable for implementation which I set out later in this minute is feasible only if work starts at once. It will also be essential that additional provision be made for start-up costs of such an

agency, which are estimated at around £90 million over 6 years, and for ongoing administrative costs (which will come to about £60 million gross per year in the longer term).

Other key issues

12. Formula-based assessment and a purpose-built agency are the two key strategic elements in an effective reform. But there are a number of other important issues which we also need to resolve. These are incentives, the position of 'liable relatives' who are themselves on benefit, and 'naming the father'.

(c) Incentives

13. The fact that more effective collection of maintenance represents a good deal for the taxpayer will, of course, be an important selling point. But it will be much harder to present our proposals positively, and to maintain the wide support which exists for such measures, if they are capable of being portrayed as designed only to reduce the benefits bill.

14. Nevertheless, having looked closely at the balance of arguments, I have concluded that a general maintenance disregard for Income Support would not be the right course. The incentive effects are perverse, since it would be likely to raise rather than reduce the numbers of lone parents substantially dependent upon it. And the deadweight costs are very high. I therefore propose instead that we should focus on a maintenance disregard for the in-work benefits, where the incentive effects are consistent and powerful, and where it would give long-term advantages which represent good value for the cost.

15. This will be particularly important for Family Credit, which for many lone parents is a crucial ingredient in making the transition from dependence on Income Support into work will be by means of part-time work accompanied by receipt of Family Credit. Increased maintenance will help that transition, but under present arrangements the caring parent and the children would see little or no tangible financial benefit because the tapers are so high - as much as 96 per cent if the family is receiving Family Credit and Housing Benefit and Community Charge Benefit together. A disregard would alleviate this.

16. A reduction in the hours of work needed to qualify for Family Credit would have further incentive effects. Many women with small children are not able to work more than a relatively small number of hours, because of their child care responsibilities. Incentives to part-time work would prompt their re-entry into the labour force, providing them with experience to enable them to obtain full-time work when the children are older.

17. The detailed working of incentive measures will obviously have to be discussed in the PES round. But I hope we can agree that incentive measures along those lines should be essential features of our package, to be set out in detail in due course.

(d) Deduction from Benefit

18. I have also considered carefully whether assessment of maintenance by the formula should extend to deducting maintenance from those who are themselves receiving Income Support. On balance, I have concluded that it should not. The rates of benefit currently in payment are specifically intended to meet the normal day to day expenses of the household for whom benefit is claimed, and we defend them from criticism on those grounds. It is not possible to argue that they include any element for the expenses of children not living the household, and a move to deduct for such expenses would therefore be seen as unfair and illogical. This criticism would be re-inforced if we deducted sums from absent parents' benefit while allowing no disregard of maintenance income to all caring parents, so that the net result, where all involved are on Income Support, was simply a reduction in the amount of benefit (and total income) for the parents and children taken together.

19. We should however, ensure that absent parents are nevertheless formally brought into the system at the earliest opportunity, with their liability established, so that being on benefit is not seen as an escape route and speedy action can be taken when their circumstances change.

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19. We should however, ensure that absent parents are nevertheless formally brought into the system at the earliest opportunity, with their liability established, so that being on benefit is not seen as an escape route and speedy action can be taken when their circumstances change.

(e) Naming the father

20. I am convinced that, just as a father should not be able to choose to transfer his responsibilities to the taxpayer, so that choice should not be given to the mother without good cause. We should therefore establish a general requirement to co-operate with the obtaining of maintenance. This would include not only providing a name (or circumstantial detail which would assist in identification if the name were genuinely not known) but also a requirement formally to claim maintenance. Some exceptions will have to be made, for example in cases of incest, rape or violence, where there are genuine fears that further contact with the father would be harmful to the health or safety of the children or their mother; but this should not simply be a matter of the mother's personal choice. Where unjustified non-cooperation was found, the sanction would be a reduction of up to 20 per cent in the caring parent's adult Income Support personal allowance.

Timing and Handling

21. If you and our colleagues can agree to proposals along these lines, we have the material for an early announcement. Your speech to the 300 Group on 18 July, linked with an appropriate Parliamentary Answer, would be the ideal opportunity. James Mackay could then seek views from the judiciary and the legal profession.

22. We could then look to the publication of a White Paper this Autumn, setting out proposals in more detail, including the details of how a maintenance formula would work, and how it could be administered. This would pave the way for primary legislation to be introduced early in 1991. On this basis, even though further detailed work would be needed both during and after the passage of the Bill, I believe we could realistically aim to have a child support unit established in some form by the Spring of 1992, although it would not be fully up and running on all its functions before early 1993.

Conclusion

23. I therefore seek colleagues' agreement to the approach I have outlined, and specifically to:

- the introduction of a formula for assessing maintenance, to be operated administratively and based on Income Support rates;

- the establishment of a new separate agency, on 'Next Steps' lines, to operate assessment, collection and enforcement;

- the inclusion in the package of measures designed to increase incentives and reduce total dependence on benefit;

- bringing absent parents who are themselves on Income Support formally into the system, with an assessment, but not making a deduction from that Income Support;

- introducing a benefit sanction for caring parents who unjustifiably refuse to co-operate in tracing the absent parent and obtaining maintenance;

- a timetable along the lines set out in the preceding paragraph.

24. I am copying this to those who will be at our meeting - James Mackay, Geoffrey Howe, Kenneth Baker, Malcolm Rifkind, Peter Fraser, Norman Lamont and John Patten - and to John Major, Peter Brooke, Kenneth Clarke, David Hunt and Sir Robin Butler.

T.T.

12th July 1990

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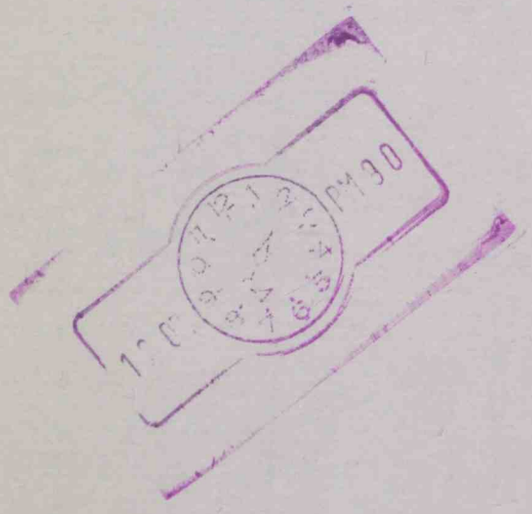

CHILDREN COME FIRST

MANAGEMENT SUMMARY

CONFIDENTIAL

INTRODUCTION

1. This report on maintenance for children follows the clear concern about declining payment of maintenance and the resultant growing obligation on the state. Following the task set by the Prime Minister's meeting on 20 February, the report assesses the present system and proposes a new approach. As Chapter 1 describes, these proposals are part of the Government's programme to review the family justice system.

THE POSITION NOW

2. Chapter 2 describes various aspects of the current system which give concern. Only 30% of lone mothers receive regular maintenance. Awards vary but fall some way short of the benefit payable to the lone parent family. There is prime facia evidence that higher awards are affordable in some cases. Some awards take weeks or months. At present, consistency, and perceived fairness, will emerge mainly by chance. The children's interests require a single system with consistent and rational principles and clear priority.

AIMS AND OBJECTIVES

3. Chapter 3 describes three major policy objectives for an effective maintenance system, derived from the Prime Minister's meeting. First, absent parents must not be allowed to avoid their responsibilities for their children and the parent charged with their care. The natural parent has the primary liability even if the child subsequently gains a step-parent. Personal responsibility also requires that maintenance payable should be known and predictable. Secondly, both children and caring parents should benefit. The children's financial interests are best protected if their parents have incentives to increase their income by their own work effort. The third objective is to reduce dependence on benefit, best done by establishing realistic maintenance and regular payment as soon as possible. Seven other objectives, on equity, incentives and operations, are discussed in Annex F to the report.

ASSESSMENT

4. Known and predictable maintenance awards indicate a system based on published rules rather than discretion. Several other countries have adopted a formula approach. Chapter 4 describes the shape of the formula we believe to be most appropriate in this country. The maintenance bill should be based on the income-related benefit payable for child and caring parent. The parents should have some exempt

income to preserve their work incentives, based on what they would receive on benefit, including any new natural children but not stepchildren unless hardship can be shown. Maintenance then payable should be calculated by applying standard deduction rates between 30% & 50% to net income over and above exempt income. Under this formula, 500,000 lone mothers would receive maintenance compared with 300,000 now. Chapter 4 (paragraphs 4.3-4.7) identifies arguments for and against requiring liable relatives dependent on benefit to pay some maintenance.

THE ROLE OF THE COURTS

5. This assessment method allows very precise rule-making, and scope for discretion is very limited. More awards and more frequent case reviews will also increase workload. So we recommend, in Chapter 5, that assessment be a function of an administrative body, with statutory rules and independent appeal rights. The courts would have a continuing role in final decisions on points of law and other issues such as custody. Where property issues also arise, we suggest the courts be required to regard the formula assessment of maintenance as given, and to give the childrens' housing needs first priority. Grounds for appeal would be disputes on facts, law, or claims of inappropriate application of the variation provision. Several appeal systems already exist (eg., industrial tribunals), and we recommend an analogous system for maintenance.

COLLECTION AND ENFORCEMENT

6. Chapter 6 recommends collection and enforcement become the responsibility of an administrative child support unit. Its functions would include identifying and tracing liable relatives, obtaining information on the parents' circumstances, raising an assessment under rules laid down and reviewing assessments regularly. Its powers should include power to decide on method and frequency of payment, including deduction from earnings where there is evidence that other methods (e.g. standing orders) are unreliable or unavailable.

7. To reduce or prevent dependence on benefit as far as possible, we recommend the system be compulsory for any maintenance recipient claiming benefit, and available to lone parents leaving benefit or those who would be dependent if maintenance failed. Where benefit was not an issue, either party could seek assessment and collection by the unit, or assessment only, for a fee. We also propose that a caring parent receiving benefit be required to claim maintenance, except where she can convince the unit that further contact with the liable

person will harm the children or herself because of past violence, rape or incest, or that she does not know the father's name or has insufficient information to identify him. Where the unit is convinced there is no good cause for her not to seek maintenance, it should be empowered to reduce benefit by up to 20% (£7.34 pw) for the period of non-cooperation.

8. The unit will need to be accountable to Parliament, and so it should be within an existing Department or a new independent statutory body accountable to a Minister. The chief Departmental candidates are Inland Revenue and DSS for essentially pragmatic reasons. The need not to affect the Department's core business argues powerfully for a separate unit, possibly on the lines of a Next Steps agency. We recommend UK jurisdiction.

DELIVERING THE INCENTIVES

9. Better assessment and collection will help improve incentives for the liable person to pay and for the caring parent to seek maintenance and, if she wishes, to work. But disincentives remain since a lone parent receiving Family Credit keeps only 30 pence or less of each £1 maintenance paid. DSS has identified some additional measures to improve incentives, described in Chapter 7. First, a disregard of maintenance in assessing Family Credit and Housing Benefit would make work more attractive and show that children would gain directly from maintenance - a major presentational advantage. Second, the minimum number of hours worked per week to qualify for Family Credit could be reduced from 24 to 16. Third, many lone parents with poor qualifications and work experience could benefit from (e.g.) extension of provision for them within ET. A maintenance formula and improved collection would mean around 40,000 fewer lone parents receiving Income Support. These further measures would take this to some 100,000.

A PROGRAMME FOR ACTION

10. Chapter 8 sets out a programme for action. The major principles and general shape of a new system are for Government to determine. If then announced in general terms before the Summer recess, public discussion would follow, promoting understanding and agreement. A White Paper or other public document could be prepared by the Autumn and issued following a major speech. Given an early decision on the way forward, and early and effective organisation, primary legislation could be introduced in New Year 1991. Action to improve the present system meantime is under way. We suggest additional measures to

improve it further and lay foundations for the new system. These include primary legislation as soon as possible to provide that availability of benefit is not relevant when making a maintenance award; and as soon as Parliament provides a formula, courts and DSS to apply it within the existing system, with implementation by April 1992. The new child support unit itself must provide an effective service from the outset. The necessary preparations, including good assessment, management and other systems and education of the public on the new process, indicate a start date of April 1993. The caseload - ultimately 2 million customers involving frequent payments - indicates staged take-on over three years.

COSTS AND BENEFITS

11. Given implementation on the timescale suggested, Chapter 9 describes provisional costs and savings which will be refined and validated by Departments including Treasury when Ministers have indicated the way forward. The figures show the cumulative effect of lone parent initiatives from this April. The likely savings - mainly from reduced benefit expenditure - are highly sensitive to precise details of the formula, and to the collection rate which we think it prudent to assume as around 50%. Allowance is made for measures to improve lone parents' work incentives (Chapter 7 and paragraph 9 above), pending further consideration. The estimated total net effect on programme expenditure of changes proposed from April 1990 is savings of £87m in 1991/92, rising to £281m in 1995/96, and over £300m in the long run. Estimated administrative start-up costs total around £90m spread between 1990/91 and 1995/96. With more cases being handled, more frequent review and more collection work, initial estimates suggest overall direct administration costs will rise from about £30m currently by DSS to about £80m under the Agency. This does not, though, include potentially significant savings from taking legally aided work out of the High and County Courts (current expenditure, around £75m a year), on which further work is needed. Estimated overall net savings from the changes reach £261m in the long run.

12. Chapter 10 describes how the proposals serve to advance each of the objectives in Chapter 3.

SOCIAL SERVICES: Analysis of Benefits

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Your reference

Our reference

Date
8 June 1990

D Morris Esq
Prime Minister's Office
No.10 Downing Street
London SW1

Dear Mr Morris

ANNOUNCEMENT OF LEGISLATIVE INTENTIONS - MAINTENANCE ENFORCEMENT BILL

I enclose excerpts from a speech which will be given by John Patten on Monday 11 June to the Marriage Research Council which gives an indication of the policy which will be behind this Bill. We want to make a public announcement in order that we can consult with interested bodies such as the Justices' Clerks' Society.

Please let us know no later than 3.30 this afternoon if you have any objections to these paragraphs being included in the Speech. If we do not hear from you we will assume that you have no objections.

Suzanne Bailey

SUZANNE BAILEY
C2 Division

Announce

S 363

5 JUN 1990

* guidance issued to local education authorities and school Governors, encouraging the use of school premises for after school and holiday play schemes.

[As a government we believe strongly in family responsibilities. These responsibilities survive the breakdown of a marriage or other relationship. A father has a legal as well as a moral duty to maintain his children; but unfortunately we have seen too many cases where this resonsiblity is avoided, and too many cases where the courts cannot give lone parents the help they need. Many are thrown back on state benefits.

We therefore intend to bring forward legislation, the Maintenance Enforcement Bill, to give the courts two additional powers. First, we think that the courts should be able to order earnings attached for maintenance when the order is first made. At present attachment can only be ordered after default has occurred and been proved. In our view it is better to prevent default from occurring in the first place. Secondly, some people liable to pay maintenance are of course not in regular employment, or are self-employed.

Here we envisage that the courts should be able, taking account of the wishes of the woman concerned, to order that maintenance should be paid direct by standing order, into her bank or building society account. This will certainly give more assurance that maintenance payments will be made regularly - and reliability of maintenance is just as important as the amount ordered to be paid. Standing orders will also make payments easier and more convenient, and will save court time and overheads.]

Jack Dominion has announced that One Plus One intends to go out into the community armed with the results of previous research and;

* provide a valuable information resource;

* develop an integrated training package with industry [and explore the possibility of developing a similar package with the Clergy];

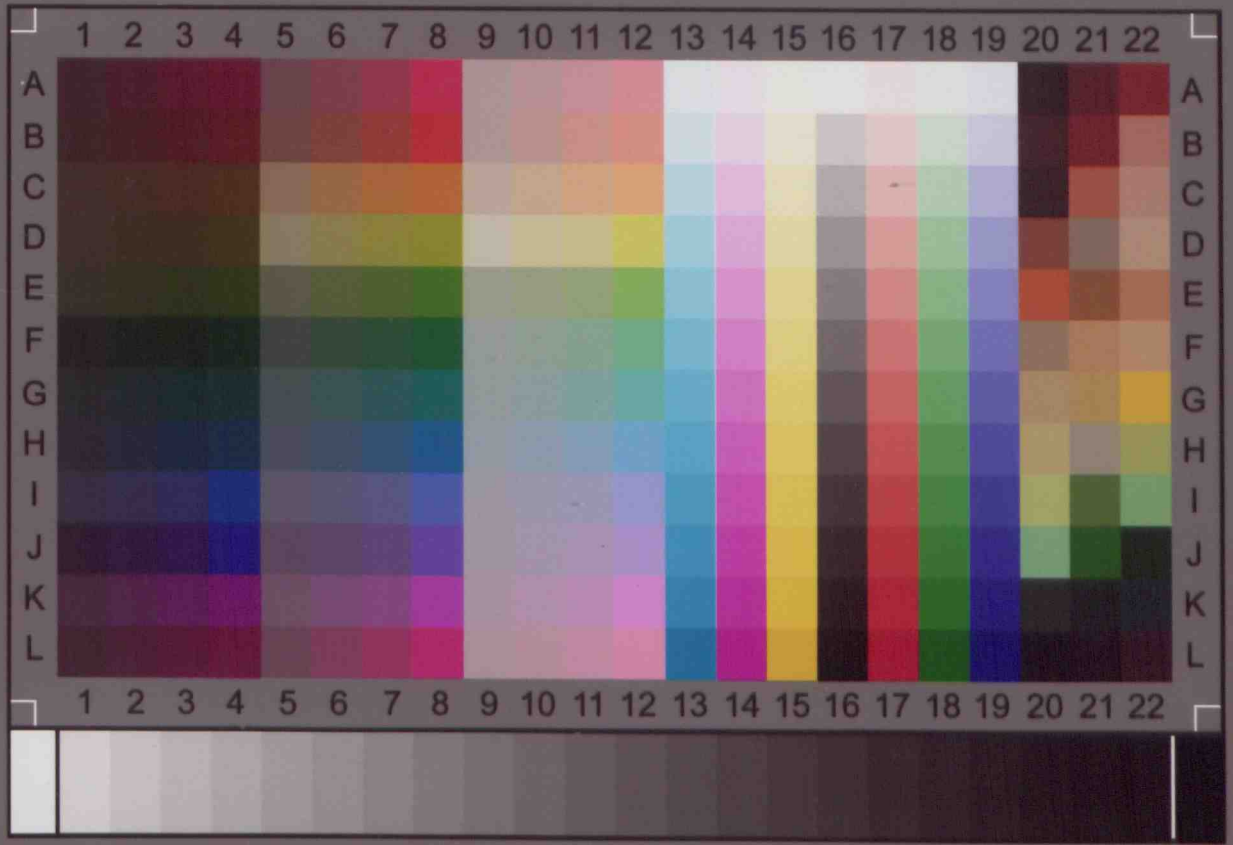
* facilitate preventative work with health centres or other multi-clinic agencies.

PART 5 ends:-

A. Dunlop to PM 18.5.90

PART 6 begins:-

Home Office to DM 8.6.90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