

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?

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Caroline Slocock
18 October 1990

Yes not

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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 agreed 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.
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TN

15 October 1990

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Oddi wrth Ysgrifennydd Gwladol Cymru

From The Secretary of State for Wales

The Rt Hon David Hunt MBE MP

CT/5677/90

26th October 1990

Zear Tony

WHITE PAPER ON NEW PROPOSALS FOR CHILD MAINTENANCE

Hiap
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.

Juno eor

David

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