

PRIME MINISTER

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?

*These on p. 3 in
very bad English*

Otherwise content with the statement?

AS

Caroline Slocock
26 October 1990

*On p. 4 - I don't believe
we need to specify
rape.*

*P.S - hardly worth
making,*

MS

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 to their children~~ ^{pay more of their eligible income (on top of this)} 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.

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.

cc Dunlop

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

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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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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.

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- * 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.

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

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