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Dear Colleague,

During our debate at the first sitting of Committee stage on the Welfare Reform and Work Bill, I promised to write on a number of points which I have set out below.

Noble Lords made various interventions about the impact analysis published around these Welfare Reform and Work Bill measures, and asked for further breakdowns, including with reference to the EHRC. I can assure Noble Lords that the Government has, using available data, carefully considered the impacts when formulating the policies in the Bill and set out an assessment of impacts on 20<sup>th</sup> July 2015. We believe that the kind of static analysis that noble Lords have asked for is misleading as it does not consider the behavioural effects of these reforms, for example the request from Baroness Lister to push further gender breakdowns. We actively monitor reforms and publish evaluations such as the impact of Universal Credit in moving people into work which was published on 8<sup>th</sup> December 2015, and will continue to do so.

It is also important to see the measures in the Bill as a piece with wider policies in the Budget and Autumn Statement, such as our commitment to introducing the National Living Wage, extending childcare for working parents, and increases to the personal tax allowance. Analysis produced by the Treasury provides a comprehensive assessment of the distributional impact of public spending, based on the impact of spending decisions across Government.

Baroness Armstrong of Hill Top and Baroness Meacher asked about the potential impact of expenditure on other Government departments of these measures. As noted above, the Treasury has published analysis approved by the independent Office for Budget Responsibility showing changes to overall public finances as a result of Government policy.

Noble Lords also asked about the application of the family test on the measure to limit the child element of Child Tax Credit and Universal Credit to two children. The Government has fully considered the family test criteria as an integral part of the policy development process. The published assessment of impacts of the measures in the Welfare Reform and Work Bill incorporates these considerations.

In relation to points made by Baroness Sherlock I would like to make it clear that the policy to limit support in Child Tax Credit and Universal Credit does not dictate how many children a family can or should have. We will still provide support for every child

through Child Benefit. The policy simply restricts the additional means-tested support available from Child Tax Credit and Universal Credit, reflecting the need for those benefits to be affordable for the taxpayer. Clearly any responsible parent will think carefully about many factors, including their finances, when deciding whether or not to have another child. The changes we are making may have some impact on those decisions, but they will be one factor among many. Ultimately these decisions are for parents themselves to make.

Baroness Lister asked why we are abolishing the family element of Child Tax Credit and the first child premium in Universal Credit. The Government's changes to tax credits and Universal Credit are designed to make the system fairer for those who pay for it as well as those who benefit from it. Families who are supporting themselves solely through work do not see an increase in their income, other than through Child Benefit, when a first child enters the household. Child Benefit will continue to support all parents through the Child Benefit first child premium – worth £364 a year per family.

I mentioned in the debate a relationship between family size and income. I was referring to internal analysis I had seen which used data which had been equivalised, and I am aware that there are a number of different ways in which this data can be presented and interpreted. I am, therefore grateful for the Noble Lady Baroness Sherlock for sharing the report "Socio-demographic comparison between those UK families with up to two children and those with three or more" by Susanne Whiting. This compares in Figure 7 the "percentage of families of different socio-economic classes with 1-2 children and 3+ children in UK 2010", and finds the highest and lowest socio-economic classes are similarly as likely to have larger families. However, people make decisions about having children based on a variety of factors, which are not exclusively linked to financial considerations. Our intention is that families on benefits will be encouraged to make the same financial decisions as families supporting themselves solely through work.

When considering the range of amendments in relation to exemptions to the policy to limit support in Child Tax Credit and Universal Credit to two children, Noble Lords raised a number of points about the costs associated with exemptions. I can assure you that I have heard the concerns that were raised around particular groups and am considering whether there is any further useful information that I may be able to provide.

Baroness Sherlock asked if the regulations setting out exemptions will be negative or affirmative. I can confirm that they will be subject to the negative parliamentary procedure.

Baroness Hollis of Heigham asked about Income Support expenditure and the number of self-employed people who have been able to move into the labour market, alongside those for lone parents, whose median income is £10,000 a year, who are also dependent on tax credits and who, 10 or 15 years ago, were among the unemployed. She also mentioned the fall in spending on Income Support and suggested this was because tax credits have helped people who depended on out-of-work benefits go into work. Income Support expenditure has reduced, but most of the reduction results from reclassification and conditionality changes rather than from people moving into work. In 1996/97, spending on Income Support child amounts, and unemployed, sick or disabled cases came to £11.4 billion. These amounts are now paid almost entirely through Child Tax Credit, Jobseeker's Allowance and Employment and Support Allowance, with the result that in 2014/15, spending on these claimants had fallen to £0.5 billion. In addition, the Lone Parent Obligations policy has reduced eligibility for Income Support on the

grounds of lone parenthood. I attach a table showing the costs of different benefits over the period in question. It shows an enormous increase in the overall figure. The tax credits expenditure figures include expenditure on self-employed people.

Baroness Manzoor asked about claimants migrating from Child Tax Credit to Universal Credit. The Government has been very clear that where a claimant receiving Child Tax Credit is migrated to Universal Credit they will continue to receive the Child Element in Universal Credit for the same children as they were receiving Child Element in Child Tax Credit whilst they remain entitled to Universal Credit and responsible for the children.

The Earl of Listowel asked about improving access to childcare where there is disability in the family. The Government is committed to ensuring that all families have access to high quality, flexible and affordable childcare. The Childcare Bill which was introduced into the House of Lords in June will double the free childcare entitlement in England from 15 hours to 30 hours a week for working parents of 3 and 4 year olds from September 2017. Where one parent is employed and one parent has substantial caring responsibilities (based on specific benefits received for caring) then such households will also be able to access the extended entitlement. Childcare policy is devolved to Scotland and Wales, and we take this into account in, for example, the operation of labour-market conditions for benefits administered by DWP. In addition, tax-free childcare, will be introduced in the UK from early 2017 to support parents in the decision to go out to work, or work more, and provide security for their families. Parents of disabled children will be entitled to receive up to £4,000 top-up support per child per year, double the maximum for non-disabled children. Parents of disabled children will also continue to be eligible for support under the scheme until their child is 17 years old.

The Earl of Listowel also asked about the Ministerial Working Group which deals with the issue of homelessness. The next meeting of the Ministerial Working Group is due to take place in January 2016, chaired by Ministers for Communities and Local Government but with representation from across Government. The Group meets on a flexible but regular basis, usually around two to three times per year. As I signalled in the House, I will raise with the Group whether a strategy addressing housing security for families should be developed.

I will place a copy of this letter in the House library.

*Yours sincerely,  
David*

**LORD FREUD**

**MINISTER OF STATE FOR WELFARE REFORM**