

PREM 19/2934

SECRET

Confidential filing

Introduction of pensions for pre-1950 service widows.

DEFENCE

WAR WIDOWS

November 1979

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
5.11.79							
8.11.79							
27.2.89							
3.3.89							
24.10.89							
27.11.89							
5.12.89							
21.12.89							
34.90							
PREM 19/2934							

CCPC
②



Prime Minister

MO 21/2/35D

MF

A timely reminder. But defence security is not asking for more.

CDR 10/4.

PRIME MINISTER

THE DEFENCE BUDGET

^{year} My minute of 8th December 1989 on war widows' pensions advised you of some of the cuts in the defence programme under consideration as a result of PES 89. The higher inflation assumptions announced in the Budget have major implications for the defence budget and programme and you and colleagues should be aware of the main points.

2. On the assumptions in the Autumn Statement, the cash plans implied annual real growth in the defence budget averaging one per cent over the PES 89 period. On the Budget assumptions, the plans imply a real decrease averaging one half of one per cent a year over the same period. Most of the change reflects the higher inflation assumptions, but higher than expected expenditure in 1989/90, raising the baseline, also affects the figures. From the information published in the Statement on the Defence Estimates on 2nd April it is possible to infer the following figures for percentage year-on-year real change:

1990/91	1991/92	1992/3
-3.4%	0.6	1.3

At the time of the Autumn Statement, the equivalent figures were

-0.6	1.9	1.7
------	-----	-----



The latest figures will improve slightly as we draw £110M from the Reserve to cover the additional costs of improved pensions for war widows (reducing the decline in 1990/91 by 0.5%).

The presentation of this domestically should be manageable, bearing in mind public expectations about defence expenditure. But presentation to allies will require particular care, especially in the United States in view of their current debate about the Administration's proposals.

3. The implications for my programme are that I shall have to make much deeper cuts than those I envisaged in December. I shall try to minimise their damage and their visibility to our allies and to the public.

4. I am sending copies of this minute to OD colleagues.

Ministry of Defence

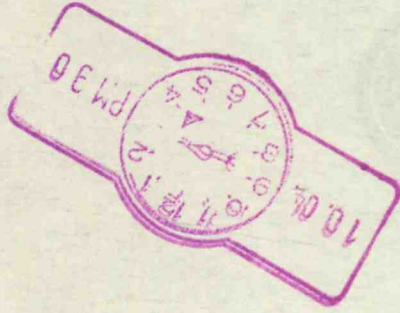
3 April 1990

(T K)

DEFENCE : War widows

penman

Nar'zer.





He

ee

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

12 January 1990

Thank you for your letter of 10 January concerning the copy of my letter of 27 November on war widows. This copy has now been destroyed.

Paul Gray

N. Ellison, Esq.

ls

HM Treasury



Alencon Link
Basingstoke
Hampshire RG21 1JB

Direct Line 0256 84
GTN 1439

Mr P Gray
10 Downing Street
Whitehall
LONDON

Your reference

Our reference

10 January 1990

Dear Mr Gray

I was passed this letter to deal with, and found through London, that it was necessary to return the letter to you for declassification or destruction. We have no file on which this belongs and it is felt unnecessary for Basingstoke to hold it.

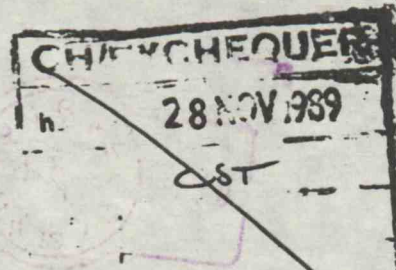
Could you possibly notify me of the decision made on the paper.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'N. Ellison'.

N ELLISON
Superannuation

000622



10 DOWNING STREET

LONDON SW1A 2AA CHIEF SECRETARY	
REC.	28 NOV 1989
ACTION	Mr McIntyre
COPIES TO	CX, PMG, Mr Anderson, Dan A. Mueller, Mr Phillips, Miss Pearson, Mr Robson,

From the Private Secretary

27 November 1989

WAR WIDOWS

Your Secretary of State and the Minister of State for the Armed Forces came to see the Prime Minister this morning to brief her on the position of war widows in preparation for her Panorama interview this evening. Mr Mungeam (MOD) was also present.

At the end of the discussion, your Secretary of State said he was doing further work on possible options for additional assistance to pre-1973 war widows. The Prime Minister asked him, in conjunction with other Departments, to prepare some costed options that could be implemented if the Government judged that any action was appropriate. It would be particularly important to consider the extent to which such options could be ring-fenced. She would be grateful if this work could be completed as soon as possible.

I am copying this letter to John Gieve (HM Treasury), Brian Hawtin (Ministry of Defence) and Margaret Aldred (Office of the Minister of State for the Armed Forces, Ministry of Defence).

PAUL GRAY

Stuart Lord Esq
Department of Social Security

SECRET

46/212/4

2/1/12

Mr Dixon
alt
28/11
Copy Mr Rayson
Mr Paik
Mr Sly
M. Lewis



DEPARTMENT OF SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 01-210 3000

capa

From the Secretary of State for Social Security

CONFIDENTIAL

The Rt Hon Norman Lamont MP
Chief Secretary
HM Treasury
Parliament Street
London
SW1

NBM
RACG
22/12

21 December 1989

L Norman

WAR WIDOWS

at head

Thank you for your letter of 21 December. I have understood the position perfectly, and am quite happy for the matter to be dealt with as an agreed bid in the next Survey with no commitment upon me to make offsetting savings. This was not, however, quite what your minute of 8 December to the Prime Minister said and I hope you will not think it unseasonal of me to have written to clarify the matter.

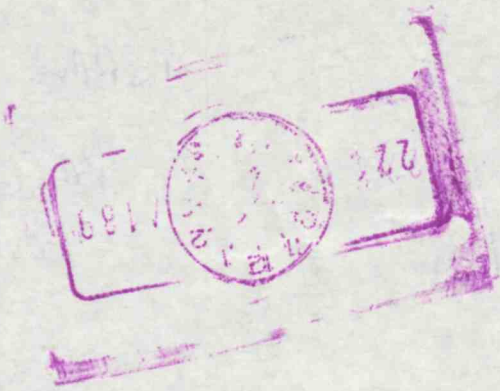
I am copying this letter to the Prime Minister, Geoffrey Howe, Tom King, Tim Renton and to Sir Robin Butler.

win
copy

TONY NEWTON

DEFENSE: War Widows

Nov 79



CONFIDENTIAL



geto

Treasury Chambers, Parliament Street SW1P 3AG

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

NBM

Recg

u/12

21 December 1989

Dear Tony

WAR WIDOWS

map

Thank you for your letter of 11 December.

2 I think you may have misunderstood the position. The direct result of the £40 a week payments to war widows to be made by the Ministry of Defence would have been to reduce expenditure on your programme by some £4½ million a year, a so-called "estimating reduction". However, we decided, as a matter of policy, that these payments should be ignored for the purposes of income-related benefits. It is this policy change which will have to be taken into account in the next Survey as an agreed bid on your programme for 1991-92 and later years. This is all perfectly routine Survey procedure. It will be open to me to seek offsetting savings for this and any other bids in the next Survey, just as it will be open to you to resist making such savings.

3 I am copying this letter to the Prime Minister, Geoffrey Howe, Tom King, Tim Renton and to Sir Robin Butler.

NORMAN LAMONT

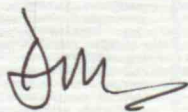
DEFENCE: war widows Nov 79



P/A
PRIME MINISTER

WAR WIDOWS

As Mark may have told you, the statement this afternoon went extremely well. The House was medium full and there was a very good turnout on the Government backbenches. Nicholas Winterton welcomed it as "a unique gesture" and that as Chairman of the campaign group for pre-1973 war widows he could say that the statement had "answered every request we have made to the Government". Michael Mates was supportive once Mr. King had been able to assure him that the neediest of the pre-1973 widows would be at least as well off as post-1973 widows. There were no more pleas for retrospection from the Government benches. Jack Ashley and Patrick Duffy asked about retrospection for pre-1987 servicemen disabled through negligence and the disabled in World War II. Mr. King had no difficulty with this, pointing out that the generous terms for war widows had only been possible because they had been ring-fenced (Nicholas Winterton gave enthusiastic support at that point). What really seems to have sold the package to the Government backbenchers is not just the amount of the ex gratia increase but also that it was tax free and, particularly, that it is disregarded for the purposes of social security benefits.



DOMINIC MORRIS

11 December 1989

c:\wpdocs\parly\war (slh)



copy

From the Secretary of State for Social Security

The Rt Hon Norman Lamont
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
London
SW1 3AG

11 DEC 1989

MBM at his stage.

*R2CG
12/12
flag C below*

Jan Norman

WAR WIDOWS

I should like to clarify one point in your minute to the Prime Minister about the financing of disregarding the £40 special payment in assessing income-related benefits.

You suggest that the cost of this - some £4¹/₂ million - should be taken into account in next year's Survey in the usual way. I cannot agree to this. As Tom and I said in our separate minute to the Prime Minister, the cost had already been taken into account in arriving at the total £113 million estimate for the package as a whole. There is therefore no additional cost to Social Security over and above this figure. Indeed, I would put the point another way and say that the effect of what Tom and I proposed, with your agreement, is to forego a possible Social Security saving of £4¹/₂ million. I will not seek to take PES credit for this but, equally, I cannot accept that its "cost" should be attributed to me in the next Survey.

I am copying this minute to the Prime Minister, Sir Geoffrey Howe, Tom King, Tim Renton and to Sir Robin Butler.

h
we.
Tony

TONY NEWTON



me hm
akw

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

11 December 1989

Dear Tim,

WAR WIDOWS

The Prime Minister was most grateful for the joint minute of 8 December from your Secretary of State and the Secretary of State for Social Security. She has also seen your Secretary of State and the Chief Secretary's separate minutes of 8 December about the financing of the package.

The Prime Minister is content with the detailed terms of the proposed scheme set out in the annex to the joint minute, and for your Secretary of State to make an announcement today. As to the financing of the package she is content that your Secretary of State should make no contribution from the existing defence budget; she has noted that he may have to find savings in order to finance the costs of the 1990-91 Armed Forces Pay Review.

I am copying this letter to Tim Sutton (Lord President's Office), Helen Dudley (Department of Social Security), Carys Evans (Chief Secretary's Office), Murdo Maclean (Chief Whip's Office) and Sonia Phippard (Cabinet Office).

Yan.
Bel

PAUL GRAY

John Colston, Esq.,
Ministry of Defence.

f



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-218 2111/3

MO 4/6D

14th December 1989

RA

Dear ~~Paul~~,WAR WIDOWS PENSIONS

I enclose a copy of the final draft of a statement which my Secretary of State proposes to make this afternoon on war widows pensions. With apologies for the very short timescale, I should be grateful for confirmation that you are content with the text of the statement by 1245 this afternoon.

I am copying this letter and its enclosure to Tim Sutton (Lord President's Office), Murdo McClean (Chief Whip's Office), Helen Dudley (Department of Social Security), and Carys Evans (Chief Secretary's Office), and to Sonia Phippard (Cabinet Office).

Yours sincerely,

John Colston

(J P COLSTON)
Private Secretary

Paul Gray
No 10 Downing Street

DRAFT STATEMENT ON WAR WIDOWS

With permission Mr Speaker, I should like to make a statement about War Widows Pensions. The Government recognises the great strength of feeling that has been shown by Hon Members of this House, and in another place, and by so many throughout the country in support of improving the position of the widows of members of the Armed Forces and others who gave their lives in the service of our country.

Previous Governments have sought to give special recognition to the position of War Widows, and this Government in particular has steadily improved the pensions and allowances payable to them. Quite apart from the ten upratings over this period, in 1979 my Rt Hon friend the Lord President, as Chancellor of the Exchequer, made War Widows Pensions completely tax free. We have increased the element of the War Widows Pension which is not counted for the purposes of assessing income related benefits, and my Rt Hon Friend Secretary of State for Social Security proposes to extend this further from next April. We have introduced significant real improvements in age allowances, and again my Rt Hon Friend proposes to make further such increases next April. These improvements have been to the benefit of the vast majority of the pre-1973 war widows, who are aged 65 and over.

In addition War Widows, if qualified, are uniquely entitled to continue to enjoy their previous war widows pension as well as their retirement pension.

The Armed Forces Pension Scheme, to which significant improvements were made in 1973, provides an occupational pension scheme for service personnel. This scheme also includes provision for widows. Although the scheme is formally described as non-contributory, it in fact involves an effective contribution from a serviceman's salary. This is the adjustment made by the Armed Forces Pay Review Body on an annual basis as part of the process of recommending pay levels for Service personnel, which is currently equivalent to a deduction in pay of 10%. Occupational pension schemes of different kinds cover a vast number in the public service - including about 2 million pensioners - and it is clearly not possible to apply retrospectively the benefits of improved schemes to those whose husbands were never members of them.

The Government has however taken full note of those who have argued strongly that much more should be done to improve the income of those earlier war widows who cannot benefit from the later pension schemes, and has been giving urgent attention to how best this could be done. The Government accordingly proposes to bring forward arrangements which will be implemented, along with the other improvements to which I have already referred, in April 1990, to pay to pre-1973 widows a new special pension of £40 a week and that this additional payment will be entirely free of tax. Further, my Rt Hon Friend the Secretary of State for Social Security will be taking steps to ensure that this entire sum is not counted for the purposes for calculating income related benefits. Both these

advantages do not in fact apply to the Armed Forces Pension Scheme. The new scheme will cover all those currently eligible to receive benefits under the pre-1973 war pension scheme, and will be administered by the Department of Social Security.

The payment proposed will be subject to the normal annual uprating. The cost of these proposals is some £110 million in the first year, and I am most grateful to my Rt Hon Friend the Chief Secretary for accepting that the whole cost will be met by a transfer from the Reserve.

The Government recognises the very special place that these widows hold in the affections of this country and the particular debt which we all owe them, and the strong feeling of many members of this House and the public throughout the country that they should be treated as a quite exceptional and distinctive case. I believe that the proposals that I have announced today are a proper and fair response to that public interest and concern, and a genuine recognition to those whose husbands gave their lives for our country.



MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB
Telephone 01-218 2111/3

MO 4/6D

14th December 1989

RA

Dear Paul,

WAR WIDOWS PENSIONS

I enclose a copy of the final draft of a statement which my Secretary of State proposes to make this afternoon on war widows pensions. With apologies for the very short timescale, I should be grateful for confirmation that you are content with the text of the statement by 1245 this afternoon.

I am copying this letter and its enclosure to Tim Sutton (Lord President's Office), Murdo McClean (Chief Whip's Office), Helen Dudley (Department of Social Security), and Carys Evans (Chief Secretary's Office), and to Sonia Phippard (Cabinet Office).

Yours sincerely,

John Colston

(J P COLSTON)
Private Secretary

Paul Gray
No 10 Downing Street

DRAFT STATEMENT ON WAR WIDOWS

With permission Mr Speaker, I should like to make a statement about War Widows Pensions. The Government recognises the great strength of feeling that has been shown by Hon Members of this House, and in another place, and by so many throughout the country in support of improving the position of the widows of members of the Armed Forces and others who gave their lives in the service of our country.

Previous Governments have sought to give special recognition to the position of War Widows, and this Government in particular has steadily improved the pensions and allowances payable to them. Quite apart from the ten upratings over this period, in 1979 my Rt Hon friend the Lord President, as Chancellor of the Exchequer, made War Widows Pensions completely tax free. We have increased the element of the War Widows Pension which is not counted for the purposes of assessing income related benefits, and my Rt Hon Friend Secretary of State for Social Security proposes to extend this further from next April. We have introduced significant real improvements in age allowances, and again my Rt Hon Friend proposes to make further such increases next April. These improvements have been to the benefit of the vast majority of the pre-1973 war widows, who are aged 65 and over.

In addition War Widows, if qualified, are uniquely entitled to continue to enjoy their previous war widows pension as well as their retirement pension.

The Armed Forces Pension Scheme, to which significant improvements were made in 1973, provides an occupational pension scheme for service personnel. This scheme also includes provision for widows. Although the scheme is formally described as non-contributory, it in fact involves an effective contribution from a serviceman's salary. This is the adjustment made by the Armed Forces Pay Review Body on an annual basis as part of the process of recommending pay levels for Service personnel, which is currently equivalent to a deduction in pay of 10%. Occupational pension schemes of different kinds cover a vast number in the public service - including about 2 million pensioners - and it is clearly not possible to apply retrospectively the benefits of improved schemes to those whose husbands were never members of them.

The Government has however taken full note of those who have argued strongly that much more should be done to improve the income of those earlier war widows who cannot benefit from the later pension schemes, and has been giving urgent attention to how best this could be done. The Government accordingly proposes to bring forward arrangements which will be implemented, along with the other improvements to which I have already referred, in April 1990, to pay to pre-1973 widows a new special pension of £40 a week and that this additional payment will be entirely free of tax. Further, my Rt Hon Friend the Secretary of State for Social Security will be taking steps to ensure that this entire sum is not counted for the purposes for calculating income related benefits. Both these

advantages do not in fact apply to the Armed Forces Pension Scheme. The new scheme will cover all those currently eligible to receive benefits under the pre-1973 war pension scheme, and will be administered by the Department of Social Security.

The payment proposed will be subject to the normal annual uprating. The cost of these proposals is some £110 million in the first year, and I am most grateful to my Rt Hon Friend the Chief Secretary for accepting that the whole cost will be met by a transfer from the Reserve.

The Government recognises the very special place that these widows hold in the affections of this country and the particular debt which we all owe them, and the strong feeling of many members of this House and the public throughout the country that they should be treated as a quite exceptional and distinctive case. I believe that the proposals that I have announced today are a proper and fair response to that public interest and concern, and a genuine recognition to those whose husbands gave their lives for our country.

CONFIDENTIAL

C CC PU.
CFROM: CHIEF SECRETARY
DATE: 8 December 1989

PRIME MINISTER

WAR WIDOWS

Following your meeting on 7 December, I met with Tom King and Tony Newton this morning to discuss details of the measures we plan to announce to assist further pre-1973 war widows. Tony is minuting you separately about the proposals we have agreed. This minute is about financing the additional expenditure.

2. The latest figures are that our proposals would cost £113 million in 1990-91, and a similar sum in later years.

3. I would prefer of course to avoid any call on the public expenditure Reserve so soon after the Autumn Statement. We had to acknowledge then that the £3½ billion Reserve for 1989-90 was likely to be overspent. Current indications suggest that we may face a similar problem next year. I would not wish to signal that now, four months before the next financial year begins, by beginning to eat significantly into the Reserve for 1990-91, which has been set at £3 billion.

4. The revised proposals will cost £4½ million on the social security programme. This will be the cost of ignoring the £40 payments in assessing income related benefits while leaving the general disregard unchanged at £10. These extra costs will be taken into account in next year's Survey in the usual way.

5. I could ask Tom to absorb the full total of £113 million MOD expenditure within his block budget of £21,200m/£22,350m/£23,430m in the next three years, under the agreement we reached at the end of the last Survey. He has agreed to bid for additional money only in specified circumstances, which do not include the measures

CONFIDENTIAL

we now plan to take. In any case, I find it hard to believe that he would not be able to absorb a sum of this size within such a large budget, which has substantially underspent every year since 1982-83. Any impact on our defence capability should be minimal, especially if the cost is met by efficiency savings.

6. I do however recognise the unexpected nature and burden of these costs and have not therefore pressed Tom to find all the money. I have initially suggested that we should each find half of it. In other words, I would be prepared to add £57 million to the existing defence expenditure plans for 1990-91, with agreed bids in next year's Survey for subsequent years. This would leave him equally to find an estimated £57 million each year from his existing budget. I regret Tom has not felt able to agree to it, or to make a suggestion. I hope you will agree that MOD certainly ought to help to offset at least part of these significant sums.

7. I am copying this minute to Geoffrey Howe, Tom King, Tony Newton, Tim Renton and to Sir Robin Butler.

CLM

pp

NORMAN LAMONT

(Approved by the Chief Secretary
and signed in his absence)



MO 4/6L

PRIME MINISTERWAR WIDOWS PENSIONS

Norman Lamont, Tony Newton and I discussed this morning the basis of the proposal that I hope to announce next week in Parliament, on Monday if possible.

2. We reached general agreement on the amount, coverage, and basis of treatment for tax and disregard. We did not unfortunately reach agreement on how it would be funded and we therefore agreed that Norman and I would report separately to you on this.

3. At the end of our meeting, you asked me to consider whether I could help a little from the Defence Budget.

4. I have now considered this carefully, but am quite clear that this is not desirable politically nor possible to do without visible cuts in our programme.

5. Dealing with the political point first, I was already committed to a meeting of the Backbench Defence Committee's Officers after your questions in the House when you announced our intention to do something for war widows. The Officers obviously welcomed what you said, but then made clear that they would be strongly opposed to any of it coming off the present defence provision. The point they made (which is true) is that the whole case for widows is presented as a national debt of honour to a uniquely deserving group, and that the much healthier state of our national exchequer makes it possible for this debt to be met. They believed that ANY idea that today's Servicemen were having to contribute towards paying this debt would cause strong criticism and take away much of the credit that we otherwise could get.



6. What they did not know is that we are in any case going to have to announce some significant cuts in the defence programme as a result of this year's PES. In my minute to you of 30th October, I warned that we will have to make some changes and that some are likely to be painful, affecting the front line, although I shall obviously try to minimise their damage and their visibility either to the public or to our allies. If I had to go further then we could be in real difficulties. Already under review is a package involving the laying up of a frigate 2 years early and two submarines some 7 years ahead of normal, a cut of 1 frigate and 1 submarine for next year's programme, a reduction of 8 Tornados and 6 Phantoms and 6 Buccaneers 4 years early, 5 VC10s, long ahead of time, the loss of No 50 Missile Regiment, and the postponement and reduction by up to one-third of orders for anti-tank equipment, and cancellation of the order of 50 Howitzers for the War Reserve.

7. I know that the Treasury are conscious of the underspend that should occur this year, but part of my PES strategy is to try to build this up all we can this year, and carry it forward to next year, so that the damage is not worse. It was on this basis that I finally accepted Norman's request to remove the very substantial bids that the Ministry had put forward for the next two years in spite of deterioration in the inflation forecast, for which I agreed to make no provision at all as part of my contribution to a reasonable PES outcome.

8. In short, the only possibility from the Defence Budget would be some token amount which will be no significant help to Norman's problems, and will invite all the political criticisms that I mentioned, and I feel that it has to be right for this to be recognised as 'the national debt of honour', as all its advocates describe it, and as a legitimate call on the Reserve.

Ministry of Defence
8 December 1989

TK

T K

CONFIDENTIAL



I am sending a copy of this minute to the Lord President,
Tony Newton, Tim Renton and Norman Lamont and to Sir Robin Butler.

CONFIDENTIAL


CONFIDENTIAL


Prime Minister

WAR WIDOWS

We have met with Norman Lamont and have been giving further thought to the issues raised at yesterday's meeting. The scheme we now propose (which is described in the attached Annex) reflects the conclusions on which we are all agreed. It has the political and presentation merit of being very simple and straightforward in its effect: every pre-1973 war widow would get £40 a week extra.

Taxation

2. We have given serious consideration to the question of taxation. You will recall your view that the award should be taxable. On reflection, however, we consider that there is strong merit in making the additional sums non-taxable. On presentational grounds, a non-taxable payment has the advantage of clearly distancing it from the MOD occupational scheme (which is taxable), thus strengthening ring-fencing. It also avoids any impression of penny-pinching. Furthermore, it goes some way towards meeting the point of perceived parity of treatment of all pre-1973 widows, since a non-taxable award could offer a small advantage to the widows of more senior servicemen.



Disregards

3. We have done further work on the extent to which changes should be made in disregards for Housing Benefit and Community Charge Benefit. Our conclusion is that we must do something to avoid the damaging effect of a claw-back for those war widows in receipt of income-related benefits, particularly the 20 per cent or so in receipt of Housing Benefit and Community Charge Benefit. Given that the existing statutory war pension disregard applies both to the war disabled and war widows, we think that the best way of ring-fencing any arrangements for the new provision is simply to provide that the payment should not be taken into account in assessing entitlement to income-related benefits - in other words to treat it as something entirely separate. We suggest that all the benefits - including income support - be covered otherwise there would be a few hard cases. This could be achieved by secondary legislation. This is a major concession, which is available in respect of very few other payments, such as payments for AIDS victims out of the McFarlane Trust, and will underline the extent to which we see war widows case as exceptional.

Coverage

4. On the question of coverage, we propose that the scheme should include all 55,000 war widows (about 52,500 service widows and 2,500 non-service widows). We think that there would be a sense of injustice, and damaging criticism, if the scheme were confined to the coverage of the Armed Forces pension scheme. The War Pensions Scheme already covers both service and non-service widows, and the current debate is throwing up cases which would certainly cause controversy if

excluded from the proposed additional payment. Moreover, their inclusion reinforces the point that the scheme is not a retrospective extension of the MOD Occupational Pension Scheme.

Costs

5. On costs our final estimate is of a total figure of £113 million. This includes the cost of disregarding the payments for income-related benefit purpose, about £5 million, which accounts for only some small part of the total.

Handling

6. We think the momentum of Parliamentary activity and media coverage argue for the earliest possible definitive statement of our plans. Not to make an early statement would leave us dangerously exposed to allegations of disunity and indecision, and run the risk of pre-empting some of the detail. We therefore intend that, subject to your agreement to what we now propose, Tom should make a Parliamentary statement on Monday if possible, or failing that, on Wednesday.

7. I am copying this minute to Geoffrey Howe, Norman Lamont, Tim Renton and Sir Robin Butler.

[Handwritten signature]

for TOM KING
(Approved by the Secretary of State
8 December 1989 and signed in his
absence).

[Handwritten signature]

H TONY NEWTON

(Approved by the
Secretary of State
and signed in
his absence.)

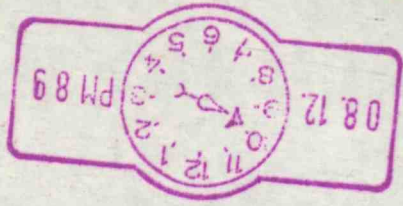


CONFIDENTIAL

ANNEX

Proposed Scheme

- The scheme would pay an additional flat-rate pension of £40 per week to all pre-1973 war widows, with the coverage of the DSS War Pensions Scheme (i.e. widows of servicemen and non-servicemen) from April 1989.
- The pension would be tax free and would not be taken into account as income in assessing entitlements to income-related social security benefits. It would be uprated annually in line with prices.
- Provision for widows of servicemen would be made by MOD by an Order in Council or Prerogative Instrument as appropriate.
- Provision for widows of non-servicemen would also be made by MOD.
- DSS would run the scheme alongside the War Pensions Scheme.



CONFIDENTIAL

PRIME MINISTER

WAR WIDOWS

Following your meeting yesterday, Tony Newton, Tom King and Norman Lamont have discussed further the details of a scheme.

The joint minute from Tom King and Tony Newton at Flag A reports their agreed conclusions. In all respects they propose arrangements towards the generous end of the range of possibilities discussed yesterday, mainly, as far as I can see, with a view to ensuring simplicity and ring-fencing. The key elements are summarised in the annex to the Flag A minute, namely:

- the f40 per week should go to non-service widows as well as service widows.
- It should be tax free and be totally ignored in assessing entitlement to income related benefits. The latter element is seen as the best way of resisting pressure for extension either of extra payments or disregards to the war disabled.
- The MOD would provide both for service widows and non-service widows, but with the administration of both done by DSS.

The overall cost is put at f113 million.

The one issue on which there is no agreement is whether MOD should make any contribution to the cost from its existing budget. The respective arguments are set out in the minute from Tom King at Flag B and that from the Chief Secretary at Flag C. Tom King argues that he cannot find anything, both because he is already having to make cuts and because presentation of the war widows' package would be severely damaged if this was not seen to be all new money. The Chief Secretary argues that there is plenty of scope from efficiency savings.

CONFIDENTIAL

You will, I fear, have to arbitrate on this financing point. My own view is that, in terms of feasibility, it is perfectly reasonable to expect MOD to find some of the money - say, either a half or a quarter. But Tom King's argument about the presentation of the package does have some force (the Chief Secretary would argue of course that there is also an important presentational point about controlling public expenditure, particularly with Barlow Clowes coming up the following week).

Conclusion

- (i) Content with the detailed terms of the package colleagues have worked out, and for an announcement as early as Monday if this can be arranged?

- (ii) On financing:
 - (a) accept that MOD should make no contribution?

OR

 - (b) Do you want them to contribute, say, a half or a quarter of the cost?

PLG.

PAUL GRAY

8 December 1989

I don't think we shall
succeed in getting Tom to
contribute - He is probably keeping
every thing he has for the AFRI.
mg

CONFIDENTIAL



File

*Mtg Record
cc Master -*

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

7 December 1989

WAR WIDOWS

The Prime Minister held a meeting this morning to discuss the position of pre-1973 war widows. Those present were the Lord President, the Secretaries of State for Defence and Social Security, the Chief Secretary, the Chief Whip, Sir Robin Butler and Mr Wilson (Cabinet Office) and Mr Dunlop (Policy Unit). Before the meeting were your Secretary of State's minute of 1 December with the attached paper setting out possible options, Brian Hawtin's letter to me of 1 December and the Chief Secretary's minute of 6 December.

I should be grateful if you and copy recipients would ensure that this letter is seen only by those with a strict need to know.

Your Secretary of State said that the paper attached to his minute had set out the three basic options identified as the most promising ways of providing further assistance to pre-1973 war widows. Option 1 would involve a special additional flat rate pension; option 2 would involve increased and extended age allowances; and option 3 would involve providing the equivalent of full national insurance retirement pension for all pre-1973 war widows in addition to the war widows pension. Your Secretary of State said his strong preference was to adopt option 1. This was the only option that directly addressed the principal complaint of the campaigners, and which gave the same rate to all pre-1973 war widows. It would also be the option easiest to ring-fence, would avoid the need for primary legislation and would be economical to administer.

In discussion the following main points were raised:

- i) The political case for some action to help pre-1973 war widows was now extremely strong. Although the Opposition had decided not to use one of their two forthcoming supply days to raise the issue, it remained necessary to act quickly and decisively to defuse the pressure from the campaigners. At the same time it was

CONFIDENTIAL

essential before any announcement to ensure the right scheme of assistance was chosen and that it could be effectively ring-fenced. It was evident that most of the campaigners were far from clear exactly what changes they were demanding.

- ii) The arguments your Secretary of State had put in support of option 1 were very strong. On the other hand there was a case for pursuing option 3; in particular this would provide a less costly way of targeting more help on the poorer war widows. For example, on the basis of total packages both costing £70m. and assuming 1989-90 rates, option 3 would ensure that all pre-1973 war widows received a total pension of over £100 a week whereas under option 1 some of them would receive only a little over £80 a week. But against that, option 3 would involve a fundamental breach of the contributory principle of the national insurance pension which could be both heavily repercussive and deeply resented by those war widows who had earned an entitlement to the NI pension from their own contributions and would gain nothing from the change.
- iii) If option 1 was chosen careful consideration would need to be given to the level of the weekly flat rate payment. As indicated in the paper, the costs were very considerable. However, to defuse the present political controversy the level of the payment would need to be substantial and to err on the generous side. Although it was above the top end of the range shown in the paper there was a strong case for a weekly payment of £40, involving an aggregate cost of some £110m. a year, on the grounds that this would provide a half of the difference between the existing position of pre and post-1973 war widows.
- iv) It was necessary to consider whether further cash assistance to pre-1973 war widows should be accompanied by increased disregards for income related benefits. It was noted that the costings of option 1 in the paper attached to your Secretary of State's minute included the consequential effects of increased disregards. The case for action on disregards was that, if they remained unchanged, some war widows would lose a large proportion of any extra payment because housing benefit and/or community charge benefit would be withdrawn. This would be extremely difficult to defend (although there would be little problem for income support to which very few war widows were entitled). On the other hand there were already special arrangements for war widows in the disregards regime. And if action was taken to ease disregards for war widows it might be administratively very difficult to implement this quickly without at the same time granting the same concessions to the war disabled. That raised a further major difficulty, because the war disabled would then have a stronger case in pressing also for the extra cash payments being given to war widows. The cost of

that would be prohibitive and must be resisted. Further consideration was therefore required of how best to handle the disregards issue; one possibility to look at was to increase the disregards for war widows, and perhaps also for the war disabled, but to do so by an amount less than the increased payment to war widows.

- v) The material on option 1 in the paper attached to your Secretary of State's minute indicated that payment would go to the pre-1973 widows of all groups covered by the War Pension Scheme, including the auxiliary services, the Polish forces, merchant seamen and some civilians. In aggregate these groups numbered some 3,000. It was for consideration whether they should be included in a new package. On the one hand widows in these groups would not have benefited if the post-1973 armed forces occupational pension scheme had been in force all along. There was therefore a case for equity for excluding them from a new scheme; and that approach could help with ring fencing. On the other hand it might be difficult to justify publicly why these other groups who were covered by the general use of the term "war widows" should be excluded; they also appeared to be included in the scope of the present Early Day Motion.
- vi) If option 1 was adopted it could in principle be the responsibility either of the Ministry of Defence or the Department of Social Security. The better course would be for it to be formally a MOD scheme, although for practical purposes it could be administered by the DSS on an agency basis. However if it was decided to extend option 1 to the other groups such as the auxiliary services this extension might have to take the form of a DSS scheme; the DSS appeared to have the legislative cover whereas the MOD did not.
- vii) A further argument for the basic scheme being the responsibility of the MOD was that this would reinforce the case for the new payments being taxable; payments under the post-1973 armed forces occupational scheme were taxable and the new arrangements should be treated on the same basis. But although the payments would be liable to tax, no actual tax payments were likely to be made by war widows who did not have other sources of income; the basic DSS war widows' pension was non-taxable and widows could therefore receive further payments equivalent to their personal allowance before any tax became payable.
- viii) If a scheme went ahead consideration would need to be given to its financing. Treasury Ministers would wish the Secretaries of State for Defence and Social Security to make a contribution from their existing budgets agreed in the Public Expenditure Survey; whereas the Secretaries of State saw major difficulty with such an approach.

Summing up the discussion the Prime Minister said that the group had provisionally concluded that a scheme for payments to pre-1973 war widows based on option 1 should be introduced. It was essential for this to be effectively ring-fenced so as not to create a precedent for other public sector groups. A flat rate payment of the order of £40 a week, subject to tax, seemed appropriate. But your Secretary of State, in conjunction with the Secretary of State for Defence and Treasury Ministers, should consider the details further. In particular, further work was required on two issues. First, on whether, and if so to what extent, changes should be made in disregards for housing benefit and community charge benefit. Second, on whether or not the scheme should be extended to all the groups of pre-1973 widows covered by the war pensions scheme, and if so which Department would have lead responsibility for this extension. Payments to pre-1973 war widows in the same groups as covered by the post-1973 occupational pension scheme should be the responsibility of the MOD, although these transactions would be carried out by the DSS on an agency basis. As to the financing of the package, the Secretary of State for Defence should consider whether he could help a little from within his existing budget. There would be advantage in planning an announcement on 13 December if all the details could be satisfactorily resolved within that time scale.

I am copying this letter to Tim Sutton (Lord President's Office), Brian Hawtin (Ministry of Defence), Carys Evans (Chief Secretary's Office), Murdo Maclean (Chief Whip's Office) and to Sonia Phippard and Richard Wilson (Cabinet Office).

Paul Gray

Stuart Lord Esq
Department of Social Security.

PRIME MINISTER

WAR WIDOWS

You have a meeting before Cabinet tomorrow with the Lord President, Chief Secretary, Tony Newton, Tom King and the Chief Whip.

You had a preliminary look at some of the papers over the weekend, and also had a brief word with the Chancellor earlier this afternoon.

The full list of papers below is:

- immediately below this note my earlier minute summarising the options on the table
- Flag A Tony Newton's minute attaching details of the three basic options and the two possible further ideas of increased benefit disregards and a hardship fund
- Flag B letter from MOD giving Tom King's views
- Flag C minute from the Chief Secretary
- Flag D Policy Unit brief

Latest Developments

The Chief Whip has reported to us this evening that

- the Opposition have decided not to choose war widows for one of their forthcoming two Supply Days. (Instead they are going for Ethiopia and mortgage holders);
- a new EDM has been drafted calling for the removal of 'hardship' for pre-1973 war widows. This replaces the existing EDM, which demands 'parity'. The hope is to persuade the 39 Conservative backbenchers to switch their allegiance to the revised, less difficult, motion.

The Options

The three main options are:

1. A special additional flat rate pension.
2. Increased age allowances. *- then all paid to all war widows with those with occupational*
3. Paying the normal retirement pension in addition to war *pension* widows pension.

The emerging majority view favours Option 1. It is supported by the Chief Secretary and Tony Newton. The Chief Whip tells us he has a slight preference for Option 2 but would accept Option 1. Its main opponent is Tom King who wants Option 3.

If the meeting was to conclude in favour of any of the options 1-3 you will need to consider separately whether to have in addition either the supplementary ideas - higher benefits disregards or a hardship fund. The Chief Secretary argues that neither is necessary.

Handling

I suggest you take the discussion in five main stages:

(i) is the political case for some sort of package irresistible? The Chancellor suggested this evening that it was; and that action should be announced quickly. I think the Chief Whip is likely to argue in similar terms.

If it was paid by the MOD then, like the post-73 scheme, payments would presumably be taxable.

(ii) which option to go for? You may want to try to steer a conclusion towards Option 1, and for it to be administered by MOD not DSS. This is also supported by the Policy Unit. The main argument to deploy against Option 3 is that it would do too much damage to the contributory principle and give new grievances to those war widows who have earned their own state pensions.

(iii) what level of extra assistance to pay? The Flag A paper gives a range of £30-£100m. The figure the Chancellor mentioned of £30 extra a week is near the top end of that range - but I'm not sure he realised

- (iv) should either extra benefit disregards or the hardship fund be considered as well? You may want to resist this. ~~_____~~
- (v) who should pay for whatever package emerges? The Chief Secretary will argue for offsetting savings from MOD/DSS. You will want to consider, particularly if the conclusion is for an MOD scheme, whether a full or partial contribution should be looked for from existing budgets rather than the Reserve.

Next Steps

If clear conclusions are reached in the meeting on the best way forward, you will want to end by considering:

- (a) when should an announcement be made?
- (b) should anything be said at Cabinet?

PLCG

MS

PAUL GRAY

6 December 1989

CONFIDENTIAL



C
CGP
C

FROM: CHIEF SECRETARY
DATE: 6 December 1989

PRIME MINISTER

WAR WIDOWS

I have seen Tony Newton's minute of 1 December and the letter from Tom King's private secretary of the same date. I thought it would be helpful if I were to let you know how John Major and I see this issue, in advance of your meeting tomorrow.

with PG.

2. In assessing the options identified in Tony's paper, there are three key considerations which I think we need to have in mind. First, it is most important that we avoid making the armed forces pension scheme retrospective. Apart from the substantial direct cost, this would be a bad precedent for other public service pension schemes. Whatever we might say about the special position of war widows, other groups could well be tempted to push their claims. I am glad, therefore, that neither Tony nor Tom has even put this possibility on the agenda.

3. Second, the cost of parity with the relatively small group of post-1973 widows would be prohibitive, at up to £200 million. Again, I am glad that this is not being suggested. However, in presenting whatever measures we may decide to take, we will need to make it clear that they do not in any sense represent a step towards parity.

4. Third, we need to avoid as far as possible changes which could have expensive repercussions in the social security system. It is the relative position of the pre-1973 war widows compared with the small number in the post-1973 group which has given rise to this problem, and we must not lose sight of the fact that war widows generally already have their special position recognised in the benefit system. The basic rate of their pension is 30 per cent higher than that of ordinary single pensioners and widows, and 85 per cent of them receive an age allowance in

CONFIDENTIAL

CONFIDENTIAL

addition to the basic rate. Next year, a war widow aged 80 or more will get £80.95 a week from the DSS scheme, partly as a result of the real increases in age allowances which Tony has already announced in his uprating statement. War widows are also able to keep any retirement pension they may have earned through their own contributions on top of their war widows' pension. Against this background, I would be reluctant to see any further increases in the social security entitlements of war widows, which could generate pressure for increases for other groups.

5. Taking all these factors into account, I believe that option 1 in Tony Newton's paper offers the best solution, with payments made by the MOD. However, I am not at all attracted by the additional measures referred to in Tony's paper, namely a hardship fund and an increase in the disregards for war widows' pensions.

6. As far as the hardship fund is concerned, I think the need for this would be obviated if we were to implement option 1. An increase in the disregard, over and above the doubling of the existing £5 disregard already announced for next April, would be contrary to our general policy of targeting income-related benefits on those who need them most. Relatively low disregards are an essential and inevitable feature of this policy. A further increase for war widows might well lead other groups, such as the disabled, to question the application of this policy to them and to press for similar treatment. One of our key objectives in addressing the war widows issue, that of ring-fencing the concessions, would be compromised.

7. I have strong doubts about option 3. I understand Tom King's argument that it would help to focus extra help on those who need it most, namely those with no or less than full retirement pension entitlements. However, I think it would be difficult to justify this measure to those war widows who have worked and paid their national insurance contributions in order to earn a retirement pension. Those who have earned a full pension for themselves would get nothing from this option. I am also concerned at the considerable uncertainty as to the cost of this option, which is estimated at £50-100 million, and by the significant administrative cost that would result from establishing and paying separate individual entitlements to many thousands of war widows.

8. So soon after the Autumn Statement, we should not contemplate additions to expenditure plans as a result of any measures we agree tomorrow. I should therefore have to look to Tom and Tony to meet the cost of such measures from within their existing provisions.

9. I am sending a copy of this minute to Geoffrey Howe, John Major, Tom King, Tony Newton, Tim Renton, and Sir Robin Butler.

C Erwin

NORMAN LAMONT
(Approved by the Chief Secretary
and signed in his absence)

DEFENCE Nov 79, UAR WIDOWS.



WAR WIDOWS

There are three separate issues involved in this problem which are as follows:

1. Political: Do we have to do something or can we stand firm on the statements the government has made so far that the existing arrangements are fair? and if we have to do something how much will it cost?
2. Vehicle: What solution would best ring-fence the case: using the DSS benefit system or an MOD ex gratia payment?
3. Coverage: The current campaign is about beneficiaries under the armed forces occupational pension scheme. It would appear to follow that any concession should be limited to widows who are pre-1973 beneficiaries under that scheme. A decision is needed on whether to limit any concession to this group or to apply it to all war widows.

The answers to these become clear as we consider the case for and against a concession.

THE CASE FOR A CONCESSION

The case for a concession is purely political. So far you have stood firm on the fact that the present arrangements are fair. Any concession therefore would be a climb down. But if the government does not come forward with a concession its hand might be forced in the House.

THE CASE AGAINST A CONCESSION

First, the government's record is already impressive

There are three main strands to the campaign's case:

- debt of honour. It is absolutely right to recognise war widows' sacrifice by giving them preferential treatment within the benefit system. Substantial special recognition is made already in the more generous pensions, special age allowances, tax concessions and disregards available to war widows. This means that war widows are at least 30% better off than ordinary state pensioners.

- hardship. War widows do receive relatively favourable treatment already within the benefit system. This is reflected by the fact that only 1% qualify for income support. And while the media has presented some anecdotal evidence, DSS investigations have failed to uncover any real evidence of hardship.

- equity. Post-1973 servicemen's widows do receive higher benefits under the armed forces occupational scheme. But these are paid for by downward adjustments to the annual recommendations of the Armed Forces Pay Review Board.

Second, a concession could simply create more injustice.

The campaign claims to want equal compensation for equal sacrifice but what it proposes would not achieve this. By demanding changes to the occupational scheme - available to the armed forces only - the campaign would ensure inequitable treatment. The widows of officers would receive more than those of privates. And the widows of civilians

killed during the war would receive nothing at all.

The Government could never satisfy the campaign's demand for full equity which would cost £200 million per year, declining gradually over time. Moreover any concession is bound to lead to other claims for special treatment (see attached letter from Edwina Currie). For example there are currently around 2 million public service pensioners, including amongst others firemen and policemen. All these groups were affected by similar changes in widows benefits in 1973.

But the most immediate read-across would be to the disabled ex-servicemen. This would add a further £400 million a year to the cost.

Third, the motives behind the campaign are dubious. The campaign is trying to shift the goal posts, by claiming that the treatment of British war widows compares unfavourably with the counterparts in Germany. This is a spurious argument and irrelevant if the campaign's objective really is to rectify an anomaly created in 1973. No doubt the differences in the relative position existed long before 1973.

There is a suspicion, therefore, that the campaign in behaving like any other "benefits lobbyist" who argues for a general improvement of the benefits in his area. When seen in this light, it is doubtful whether the relative position of war widows merits their having first claim on scarce resources.

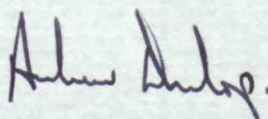
THE WAY FORWARD

If on political grounds there must be a concession, the critical question is whether to achieve this via the DSS

benefit system or through ex gratia MOD action. None of the realistic options are without risk. But Tony Newton and the Treasury both feel that an MOD route would be safer in this respect. I agree:

- it is very hard indeed to make any adjustments to the DSS benefit system in isolation;
- we have a very useful precedent on which to build - the ex gratia payment to the widows of servicemen killed in Northern Ireland 1969-1973. Indeed it would be hard to do more or less than this. We could make a virtue out of necessity by framing a concession in the same spirit and along the same lines;
- an MOD ex gratia solution makes it easier to limit the costs to what is affordable and to limit the scope to the widows of servicemen and not all war widows.

Option 1 best meets these conditions. In determining the precise figure of such a concession, it is essential to provide sufficient for a lasting solution. The worst of all possible worlds would be for the Government to offer a modest concession now, only to be forced into a much larger one at a later date.



ANDREW DUNLOP

SCHEME DETAILS

War widows can benefit from two distinct pension schemes.

1. War Pensions Scheme

Administered by DSS, it applies equally to all war widows. The current rate is £56.65 with additional age allowances at 65, 70 and 80.

Unlike the Armed Forces Pension Scheme, it does not distinguish between the widows of civilians and service personnel. It covers, therefore:

- (a) those disabled or the dependents of those killed - civilian or service - as a direct result of war (ie including merchant seamen etc);
- (b) Service personnel injured or killed in the course of duty, but not necessarily on active service (ie equivalent to civil servants killed in the course of duty eg in an air crash).

Nearly 56,000 war widows fall within the scheme under 3 main categories:

- (i) those whose husbands served in the armed forces and who receive the DSS pension only: 52,000
- (ii) the widows of civilians whose death resulted directly from war: 2,500
- (iii) the widows of service personnel who receive a DSS pension and (as a result of 1973 changes) an occupational pension: 1,200

2. Armed Forces Pension Scheme

An occupational scheme for the Armed Forces only. Primary purpose to provide pensions for those pursuing a military career. Also covers invalidity and widows' pensions.

An unfunded, pay-as-you-go, scheme financed each year from the defence budget (and now its fastest growing element).

Non-contributory, but the Armed Forces Pay Review Body make a compensatory adjustment to their pay recommendations. This is currently 10 per cent.

Since 1973 the widows' pensions have been paid at half the rate of the husband's pension except where his death was directly attributable to service. In this latter case, the widow's pension is 80-90 per cent of the husband's maximum pension. So those widows qualifying for the post 1973 occupational pensions receive at least £68 a week in addition to their basic DSS War Widows pension.

The qualifying periods for the occupational pension are as follows:

- 2 years service for those invalided out for a reason not attributable to service;
- No qualifying period where invalidity or death was directly attributable to service.

Pre-1973 no pension was paid unless the widow's husband had served for a given period (10 years in the case of an officer, twelve years in the case of other ranks). Where a pension was paid it was at a rate of a third (not a half as now) of the husband's pension.

The Times
30.11.89.

Campaigns for needy groups

*From Mrs Edwina Currie, MP for
Derbyshire South (Conservative)*

Sir, Your leader of November 24 suggested a payment of "at least £100,000" to all haemophiliacs infected with the Aids virus, irrespective of their financial status. It is a pity you were unable to welcome the substantial sums, now £29 million, already made over by the Government to assist these unfortunate people. Calls for more, ever more, may lose them both sympathy and understanding.

We appear to be on the verge of claiming that people should get very large *ex-gratia* sums from the State just because they are sick. So what about asthmatics, who also can't get insurance, or epileptics who can't get a job involving driving? Why not a £50,000 payment to every blind person, or £75,000 to those with multiple sclerosis, sickle-cell anaemia, and Guillaume-Barré syndrome?

Where does it stop? The answer, of course, is that is why we have a social security system. It currently pays out over £1 billion per week and is the most generous in the world. That is the system we should turn to, not set up alternatives which are necessarily arbitrary and often unfair to others.

Am I alone to have uneasy feelings about these emotional campaigns? I feel for the war widows. I feel for the war disabled, who have not been mentioned, and for those not in uniform who were also killed and injured during the war — my constituents working in the war factories and mines, for example. Campaigns for one group, however worthy, are like spectacles with only one lens — they are bound to give a distorted view and create further anomalies.

Maybe we should simply try to look after all widows, particularly the very old, a lot better. Now there is a campaign I could support.

Yours faithfully,
EDWINA CURRIE,
House of Commons.
November 24.



10 DOWNING STREET
LONDON SW1A 2AA

file 26
Al Diary
a Andrew Dunlop

From the Private Secretary

5 December 1989

Bf | I spoke to you this morning about changing the time for the War Widows' meeting which was to be held at noon on Thursday 7 December. It was thought that this meeting should take place before Cabinet and I am therefore re-arranging it to begin at 0945 on the same day. Cabinet will follow on at 1030.

I am copying this letter to the Diary Secretaries to the Lord President, the Chief Secretary to the Treasury, the Secretary of State for Social Security, the Chief Whip and to Sonia Phippard (Cabinet Office).

AMANDA PONSONBY (Mrs)

Mrs. Dawn Faulkner,
Ministry of Defence.

Ex



0945 War Widows

1030

1130 Misc 141

10 DOWNING STREET

Ananda

Thursday's readings

At risk of provoking a
violent reaction could we
take a like reading:

- 9.30 War Widows

- 10.30 Chit

- 11.30 MISC 141

Sorry - It is possible we
ought to have war widows
before Chit.

Rec 6 4/12

SECRET



TMLG SKW

4

bc: Ian Dunlop copy.
of Prop A attached

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

4 December 1989

Dear Sir,

WAR WIDOWS

The Prime Minister was grateful for your Secretary of State's minute of 1 December and the attached paper. She has also seen Brian Hawtin's letter to me of the same date.

The Prime Minister would like to discuss the issues raised with your Secretary of State and the other Ministers to whose offices I am copying this letter; we are hoping to arrange this for after Cabinet this coming Thursday.

I am sending a copy of this letter to Steven Catling (Lord President's Office), John Gieve (HM Treasury), Brian Hawtin (Ministry of Defence), Murdo Maclean (Chief Whip's Office) and Trevor Woolley (Cabinet Office).

*Yours,
Paul*

(PAUL GRAY)

Stuart Lord, Esq.,
Department of Social Security.

SECRET

PRIME MINISTER

WAR WIDOWS

You asked Tony Newton, in conjunction with other colleagues, to prepare some costed options for improving the position of pre-1973 war widows. You were concerned that the options should be effectively ring-fenced.

A summary of this work is now available under cover of Tony Newton's minute at flag A below. Tom King has also given his initial comments (flag B).

The paper identifies three main options:

1. A special additional pension (at a flat rate) for all pre-1973 war widows. Illustrative costs are put in the range of £30-100 million. It could be run either by MOD or DSS.
2. Increase and extend age allowances. Again an illustrative range of costs between £30-100 million are shown. This would have to be operated by DSS as an extension to their existing scheme.
3. A non-contributory top-up pension to all pre-1973 war widows, taking them to a ~~maximum~~ ^{minimum} total pension of just over £100 per week. Costs are uncertain, but are put between £50-100 million. It could be paid either by MOD or DSS. A particular problem here is that it would go right against the contributory principle, and could be deeply resented by widows who had already earned a normal retirement pension from their own contributions.

In addition, further annexes to the paper have set out two other possibilities:

- increased disregards for income-related benefits. Costs range from as little as £3 million to as much as £100 million.

- set up a trust fund for pre-1973 war widows - on the lines of the Macfarlane Trust for haemophiliacs who have contracted HIV - at a cost of, say, £30 million.

These two further possibilities could either be in place of or supplementary to any of the three basic options.

You will see that Tony Newton and Tom King favour different basic options. Tony Newton favours option 1, whereas Tom King favours option 3. The Chancellor has only just been sent the paper and has not yet had a chance to comment. None of the options is without its difficulties over and above the public expenditure cost; and there is not a strong case for any action on grounds of need or hardship. The key question is whether under any of the available options the equity and political case for action outweighs the public expenditure and need arguments.

Handling

I assume that, now the paper is available, you will want to discuss the possible options with a small group of colleagues.

- (i) content for me to fix up a meeting (which we could probably fit in next Thursday) with the Lord President, Chancellor, Tony Newton, Tom King and the Chief Whip?

Yes

- (ii) if so, do you want to register any reactions to the options in advance of the meeting?

Not yet

mt

Peru

PAUL GRAY

1 December 1989

A:\economic\widows.pmm

B Bceftu

MINISTRY OF DEFENCE
MAIN BUILDING WHITEHALL LONDON SW1A 2HB

Telephone 01-218 2111/3

MO 4/6L

December 1989

Dear Paul,

WAR WIDOWS

My Secretary of State has not yet seen the Secretary of State for Social Security's minute of 1st December (though he is aware of its broad thrust) and may wish to let the Prime Minister have further comments once he has studied it in detail. In the meantime, he has asked me to convey his initial thoughts.

On equity, Mr King notes that there is general agreement on the need to avoid full retrospection for the pre-1973 widows. He attaches importance therefore to ring fencing and to separating clearly from the Armed Forces occupational pension scheme, any additional benefits which may be made available.

Secondly, he believes that it is the perception that pre-1973 war widows are suffering hardship, which is driving the present campaign for equal treatment. The facts, however, do not support this perception. He believes that the campaign will not be halted, however, unless we can remove this mistaken perception of hardship.

Mr King considers, therefore, that any additional benefits for pre-1973 widows should be targeted at those who are relatively worst off and that Option 3 - the additional top-up pension for all pre-1973 widows - is the best answer. It would provide a guaranteed minimum income in excess of £100 for all war widows. Furthermore, it would (unlike Option 1) direct additional money at those receiving least and not those who are already relatively well off. The sum involved would not be excessive (though Mr King appreciates that it would be for Mr Newton to say whether he would require additional resources to meet the cost) but would provide significant help for those widows currently in receipt of the lowest rates of pension.

P. Gray Esq
No 10 Downing Street

CONFIDENTIAL



I am sending a copy of this minute to the Private Secretaries of the Lord President, the Chancellor of the Exchequer, the Secretary of State for Social Security, the Chief Whip and to Trevor Woolley (Cabinet Office).

Yours sincerely
B R Hawtin

(B R HAWTIN)
Private Secretary

CONFIDENTIAL



A

~~Cell A~~

2(A-B)

SECRET

Prime Minister

WAR WIDOWS

1. Your private secretary's letter of 27th November asked me, in conjunction with colleagues, to set out some costed options for improving the pension position of pre-1973 war widows.
2. Following discussions with Tom King, I attach notes on the three options (short of meeting the full demand) which he and I think most promising. Two of them offer a range of possibilities, depending on the amount of additional money it was felt appropriate to allocate.
3. I also attach notes on two other possible elements in a package. One is an increase in income-related benefit disregards, to avoid a significant number of war widows losing some part of any extra pension through reductions in income-related benefits. The other is a "hardship fund", see Annex 3, available to provide assistance on a discretionary basis in addition to any general improvement on which we might decide.
4. My view is that, since the argument is essentially not about hardship but about inequity, and the perceived inequity arises from the MOD scheme introduced in 1973, its political thrust is most effectively met by additional payments made under MOD auspices - that is to say, Option 1.



5. Should it be felt better to make payments from DSS, however, I would prefer Option 2 (extended and increased age allowances) to Option 3 (extension of full National Insurance pension to pre-1973 war widows, regardless of contributions). The latter would raise some very difficult National Insurance questions: in particular, it would highlight the grievance of "ordinary" national insurance widows who work that they pay contributions from which they may get little or no benefit, and it could easily lead to complaints of injustice from war widows who have worked and paid contributions that others were being given what they had had to pay for.

6. Whichever option we choose, I think it would be sensible also to make at least some further move on income-related benefit disregards, in order to avoid the least well-off war widows immediately losing some part of any gain. A range of options are set out in Annex 2. Whether an additional hardship fund was worthwhile would depend on how generous we made any general improvement.

7. I am copying this to Geoffrey Howe, John Major and Tom King, Tim Renton and Sir Robin Butler.

T.N.

OPTION 1SPECIAL ADDITIONAL PENSION FOR ALL PRE-1973 WAR WIDOWS

This option would pay a pension to all pre-1973 war widows, in addition to the War Widows Pension paid under the War Pensions Scheme. The pension would be at a flat rate, regardless of the husband's rank. Payments would go to the pre-1973 widows of all the groups covered by the War Pensions Scheme (in addition to servicemen the auxiliary services, the Polish forces, merchant seamen and civilians).

Arguments in Favour

- It would go a long way to offset parliamentary and public criticism of provision for pre-1973 war widows.
- It would not directly infringe the principle on retrospection of the Armed Forces Pension Scheme.
- There is a precedent in the scheme under which annual ex-gratia payments are made to men injured and the widows of those killed as a result of terrorist activity in Northern Ireland in the period from 1 August 1969 to 31 March 1973.
- (A flat rate pension scheme would be administratively simple to present, understand and run.)
- If the pensions were subject to tax (see below) there would be an increase in the tax yield, still to be assessed.

Arguments Against

- Unless the pensions made up the full pension difference between pre and post-1973 widows, the scheme would not fully satisfy the claim for equality of pension provision.
- Large differentials would still exist between pre and post-1973 widows at the higher ranks.
- It would not be targeted to those in need, thus going against Government philosophy.

Costs

Annual Expenditure	£30m	£50m	£70m	£100m
Weekly pension	£10.50	£17.50	£24.50	£35.00

A weekly pension of £35.00 would fall short of making up the weekly pre and post-1973 pension provision by roughly £40.00.

Ring-fencing

The scheme would be confined to pre-1973 war widows and be in that way ring-fenced. But pressure for help for the war disabled could not be ruled out, and the risk of this would be increased if the scheme were perceived as being analogous to the Northern Ireland scheme.

Implementation

The scheme could be run by MOD or DSS. The advantages of MOD running it would be that MOD pensions could be taxed (payments under the DSS War Pensions Scheme are not taxed, and to tax DSS payments even under this option would not be acceptable to the war pensions interest groups).

Legislation

MOD could set up a scheme under Prerogative Instruments for the widows of servicemen. Primary legislation would be needed for MOD to cover other widows.

DSS has enabling powers which would allow it to set up a scheme by amending the relevant War Pensions Scheme Orders in Council. Amendments to the main Service Pensions Order covering the widows of servicemen would not be subject to annulment, but amendments to the Orders providing for widows of non-servicemen would be.

OPTION 2

INCREASE AND EXTEND AGE ALLOWANCES FOR PRE-1973 WAR WIDOWS

This option would increase and extend the scope of the age allowances paid to pre-1973 war widows under the War Pensions Scheme. There would be flat rate additions to the existing age allowances, and war widows aged between 60 and 65 would receive an age allowance.

Arguments in Favour

- This approach would build on a much valued part of the War Pensions Scheme.
- As the age allowances are higher in the higher age bands, it would retain preferential help for the older war widows.
- An age allowance for the 60-65 age group has been asked for by the war pensions interest groups. Introducing an allowance would give extra help to the estimated 3,500 pre-1973 war widows in that age group.

Arguments Against

- It would not meet the demands for pension parity between pre and post-1973 widows.

Costs

Age Bands	Current allowances	From April 1990	Additional help through increased annual expenditure			
			£30m	£50m	£70m	£100m
60-64	nil	nil	10.50	17.50	24.50	35.00
65-69	6.10	7.00	10.50	17.50	24.50	35.00
70-79	12.20	13.50	10.50	17.50	24.50	35.00
over 80	15.30	20.00	10.50	17.50	24.50	35.00
Shortfall			63.50	56.50	49.50	39.00

Ring-fencing

The scheme would be confined to pre-1973 war widows and be in that way ring-fenced. As age allowances are also paid to war disablement pensioners under the War Pensions Scheme (on a different basis and less generous) there could be pressure for increases to those too.

Implementation

Increasing the existing age allowances could be implemented through the annual social security uprating process or through ad hoc action in-year. The same would apply to introducing a 60-65 age allowance.

Legislation

DSS has enabling powers which would allow it to set up such a scheme by amending the relevant War Pensions Scheme Orders in Council. Amendments to the main Service Pensions Order covering the widows of servicemen would not be subject to annulment, but amendments to the Orders providing for widows of non-servicemen would be.

OPTION 3

GRANT NON CONTRIBUTORY TOP-UP PENSION TO ALL PRE-1973 WAR WIDOWS

This option would provide a non-contributory top-up payment, where necessary, to provide all pre-1973 war widows with the equivalent of a full National Insurance Retirement Pension of £43.60 per week. When added to the existing War Widows Pension of £56.65 per week at the standard rate, it would give a total weekly pension income of £100.25. For widows reaching age 65, this would rise to £106.35, at age 70 to £112.45, and at age 80 to £115.55. War Widows are unique in being able to receive the NI Retirement Pension in addition to their War Widows Pension (National Insurance widows may only receive the Widows Pension). But a war widow can only receive a Retirement Pension based on her own contributions. Thirty-nine years of contributions are required before the full pension of £43.60 is achieved. About 75% of all war widows have made some contribution towards a Retirement Pension, but many have not earned the full amount. The 25% who have not contributed get nothing from this source.

Arguments in Favour

- It would bring all war widows to a minimum pension of just over £100 a week, more than twice the National Insurance Widows Pension.
- It would go a long way to offset parliamentary and public criticism of provision for pre-1973 war widows.
- It would meet a long-standing demand from the war pensions interests.
- It would be easy to present and understand.
- It would be targeted where there is the most direct and obvious shortfall in State pension income.
- It would significantly reduce the gap between pre and post 1973 war widows (£100.25 compared with £124.65 for the post-1973 widow of a Private).

Arguments Against

- It would go against the contributory principle. It would be resented by widows who had earned a pension by their own contributions and could lead to pressure for a refund of their contributions.
- It would go in full only to 25% of pre-1973 war widows, and those already receiving a full pension would not get anything at all.

- The top-up pension would be less than the £68.00 to which the widow of a Private soldier would now be entitled under the Armed Forces Pension Scheme.
- It would not meet the demands for full retrospection of the Armed Forces Pension Scheme.

Costs

Precise costing is not possible because although it is known that some 75 per cent of war widows receive a Retirement Pension on their own contributions, not all will do so at the full rate. The weekly top-up pension to all pre-1973 war widows who do not have a full Retirement Pension would therefore be at a rate varying between the full top-up amount for those with no pension (£43.60 at today's rates) and the lowest amount needed to make up the difference between the full rate of Retirement Pension and the amount actually being paid. On costs, although initial thoughts were £30m to £40m, the latest estimate is a figure between £50m and £100m.

Ring-fencing

It would be highly ring-fenced, as the problem affects only war widows. National Insurance widows might argue that they should be able to receive the Retirement Pension as well as their Widows Pension. But the war widows preference in this respect is of long standing and has not been challenged so far.

Implementation

The top-up pension could be paid by MOD or DSS. DSS could make the payments for MOD on an agency basis, and that might be most appropriate. Before payments could be made it would be necessary to check the records of all pre-1973 war widows.

Legislation

This requires further consideration. It might be possible to use enabling powers under the relevant War Pensions Scheme Orders in Council. If the scheme was linked closely to the Retirement Pension Scheme it would be necessary to amend the relevant primary pensions legislation which would not be recommended.

DISREGARDS FOR INCOME-RELATED BENEFITS

The level of war widows benefits is already such that very few - it is estimated only 1 per cent, i.e. about 500 - are in receipt of Income Support. Most of these are older widows living in nursing or residential care homes. Where they gained from any of the options discussed for improving their pensions, they would be likely to lose Income Support entitlement, and thus also entitlement to 100 per cent help with rent and 80 per cent help with rates/community charge, and certain NHS entitlements such as spectacle vouchers.

A significantly greater number are entitled to Housing Benefit either in respect of rent or rates or both. It is intended that about 20 per cent of war widows are in this position, and the number may rise somewhat following the introduction of community charge since Community Charge Benefit is somewhat more generous than rate rebates (though of course war widows, like other widows, are among those who are most likely to see their other benefits reduced by the introduction of Community Charge itself). Thus, for about 1 in 5 war widows, any increase in their pension would be partly offset by a reduction in their Housing Benefit or Community Charge Benefit.

Existing disregards

There is at present a national statutory disregard of £5 weekly, for all income-related benefits, in respect both of war widows pensions and war disablement pensions but not MOD pensions. This is due to be increased to £10 in April 1990.

However, local authorities have discretion to allow additional disregards in respect of war pensions for Housing Benefit and it is thought that 60 per cent of authorities exercise this discretion. Thus in practice the effect of an increase in pensions would vary according to where the widow lived.

Such a 'clawback' could be prevented or reduced by increased statutory disregards going beyond that already announced. Various options are set out below.

All income-related benefits

- Ignore all war widows <u>and</u> war disablement pensions		£106m
- Ignore all war widows <u>only</u>		£41.3m
- Increase disregard for <u>both</u> war widows <u>and</u> war disablement pensions to		
	£20	£21.5m
	£40	£53.7m
- Increase disregard for war widows <u>only</u>		
	£20	£6.85m
	£40	£16.7m

Housing Benefit/Community Charge Benefit only

- Ignore all war widows <u>and</u> war disablement pensions		£61.4m
- Ignore all war widows <u>only</u>		£26.3m
- Increase disregard for <u>both</u> war widows <u>and</u> war disablement pensions to		
	£20	£10.4m
	£40	£31.2m
- Increase disregard for war widows <u>only</u>		
	£20	£3.1m
	£40	£9.2m

All costs are best estimates.

ESTABLISH A TRUST FUND FOR PRE-1973 WAR WIDOWS

This would only be an adjunct to one of the three options and would involve setting up a Trust Fund which would make payments to pre-1973 war widows who could demonstrate hardship. The Trust would be financed on an endowment basis, for which there are existing models. The MacFarlane Trust for haemophiliacs who have contracted HIV is an example. The Trust could supplement the work of existing service charities and could work through them. It could include representatives of MOD, DSS and the ex-service organisations.

Arguments in Favour

- It could meet cases of identified need and would thus be well targeted.
- Presentationally, it would express the Government's concern for genuine hardship cases.
- It could meet need at the time it arose or in an emergency.
- It would be only £30 million.
- It would be a lower cost option.
- It would be unlikely to require an annual injection of Government funds.

Arguments Against

- It would probably benefit only a minority of pre-1973 war widows.
- It would require means testing.
- It would not meet the demands for full retrospection of the Armed Forces Scheme.

Costs

Initially a sum of about £30 million might be of the right order (presentationally it would be difficult to set a figure lower than that for haemophiliacs with HIV).



Ring-fencing

The fund would be confined to pre-1973 war widows and in that way ring-fenced. Pressure for help for the war disabled could not be ruled out.

Legislation

No legislation would be required. To establish the Fund it would be necessary to make a trust instrument.

01.10.11.33
3 7 6 5 4

CONFIDENTIAL

ANNEX

COMPARISON OF OPTIONS - WIDOW OF A PRIVATE SOLDIER - ASSUMED COST £70M FOR EACH OPTION

AGE/CATEGORY		Receives Now	OPTION 1		OPTION 2		OPTION 3	
			Extra	Result	Extra	Result	Extra	Result
Under 60		56.65	24.50	81.15	-	56.65	43.60	100.25
60-64	No NI Pension	56.65	24.50	81.15	24.50	81.15	43.60	100.25
	Half NI Pension	78.45	24.50	102.95	24.50	102.95	21.80	100.25
	Full NI Pension	100.25	24.50	124.75	24.50	124.75	-	100.25
65-69	No NI Pension	62.75	24.50	87.25	24.50	87.25	43.60	106.35
	Half NI Pension	84.55	24.50	109.05	24.50	109.05	21.80	106.35
	Full NI Pension	106.35	24.50	130.85	24.50	130.85	-	106.35
70-80	No NI Pension	68.85	24.50	93.35	24.50	93.35	43.60	112.45
	Half NI Pension	90.65	24.50	115.15	24.50	115.15	21.80	112.45
	Full NI Pension	112.45	24.50	136.95	24.50	136.95	-	112.45
80+	No NI Pension	71.95	24.50	96.45	24.50	96.45	43.60	115.55
	Half NI Pension	93.75	24.50	118.25	24.50	118.25	21.80	115.55
	Full NI Pension	115.55	24.50	140.05	24.50	140.05	-	115.55

- NOTES: 1. All figures are at current (1989/90) rates
 2. About 75% of war widows of aged 60+ receive some National Insurance retirement pension
 3. Age distribution of war widows: under 60 (6½%), 60-64 (6½%), 65-69 (15%), 70-79 (45%)
 80+ (27%)

~~RA~~ RA

WAR WIDOWS PENSIONS

Line to take:

- No question of the PM intervening and telling Ministers to sort things out but on an issue like this you can hardly expect the government not to consider carefully what's being said by those involved in the campaign. The PM and Ministers have all along explained very clearly the difficulties involved in making any change to the existing arrangements.

sc/pg/mod/dss
30.11.89

Nov 79
PA

1

File
EM



Mtg Record

SUBJECT CC MASTER

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

27 November 1989

WAR WIDOWS

Your Secretary of State and the Minister of State for the Armed Forces came to see the Prime Minister this morning to brief her on the position of war widows in preparation for her Panorama interview this evening. Mr Mungeam (MOD) was also present.

At the end of the discussion, your Secretary of State said he was doing further work on possible options for additional assistance to pre-1973 war widows. The Prime Minister asked him, in conjunction with other Departments, to prepare some costed options that could be implemented if the Government judged that any action was appropriate. It would be particularly important to consider the extent to which such options could be ring-fenced. She would be grateful if this work could be completed as soon as possible.

I am copying this letter to John Gieve (HM Treasury), Brian Hawtin (Ministry of Defence) and Margaret Aldred (Office of the Minister of State for the Armed Forces, Ministry of Defence).

PAUL GRAY

Stuart Lord Esq
Department of Social Security

SECRET

*Draft Para to Roger Poole
Ambulance workers. As amended*

You refer to a letter written by Matthew Parris in Mrs Thatcher's office in 1978 when she was leader of the Opposition. The 1979 Conservative Manifesto was very clear on public sector pay.

It was on the basis of the Manifesto's policies and commitments that we were elected to Government.

You will recall that we gave a further commitment on taking office to implement the substantial pay rises recommended by the Clegg Commission. You will also remember that the Clegg Commission rejected the ambulance unions' argument that pay should be comparable to that of the other emergency services.

~~DAFT~~ PARA TO ROGER POOLE, NUPE

~~Dragging up a letter written on behalf of the Prime Minister when Leader of the Opposition in 1978 is frivolous and another example of selectively looking backwards instead of living in the real world of today. You know full well that the letter was written before the Clegg Commission rejected the unions' argument that pay should be comparable to that of the other emergency services. The Commission rejected the argument on the grounds that emergency work is only a part, and by no means the most time-consuming part, of the job in each of the three services. You also know that the Conservative Government was responsible for implementing the substantial increases in pay recommended by the Clegg Commission. The Committee of Inquiry on the Police, chaired by the Rt Hon Lord Edmund-Davies carefully considered whether it was possible to equate the work of the police force with that of any other group of workers for pay purposes. Like other committees and commissions before them, they concluded that the unique nature of the police service and the work they do makes this impossible. This Government agreed to implement the findings of the Edmund-Davies Committee. Firefighters have a unique agreement that created no precedent for other groups. It is misleading to attempt to compare basic pay in the fire and ambulance services and wholly improper to suggest that any link has ever existed between the two.~~



S.R
file DT

foxed to MOD
12.55 25/10

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

24 October 1989

WAR WIDOWS

We spoke about the attached letter, written by Matthew Parris in 1978 on behalf of the Prime Minister when she was Leader of the Opposition. You kindly agreed to prepare a defensive note, in conjunction as necessary with the Department of Social Security summarising the measures that the Government has taken since 1979 to improve the positions of both pre- and post 1973 war widows.

It would be helpful to have this by Thursday morning ahead of Prime Minister's Questions.

I am copying this letter to Jeremy Groombridge (Department of Social Security).

DOMINIC MORRIS

John Colston, Esq.
Ministry of Defence

KK

DOMINIC

Mrs. Daw

The Rt. Hon. Mrs. Margaret Thatcher, M.P.



HOUSE OF
LONDON S

5th January

1983
NO

Dear Mrs Daw,

Further to my letter of 14th December I have been in touch with our Research Department.

The present anomalies arose because successive Governments tried to improve the conditions of widows and this is perhaps a good example of Government creating problems by trying to be generous. In the early 1950s and again in 1973 new scale rates of benefits for war widows were introduced, which were more generous than the previous rates, but they only applied to those widowed after the dates in question.

The present anomaly to which you refer could have been averted if Government had kept all service pensions at the old rates and forgone the increase.

However I quite accept that the present situation is unsatisfactory and Mrs Thatcher has agreed that it is our wish to establish as rapidly as economic circumstances permit, a scheme whereby the widows of all servicemen killed in action (or dying from causes attributable to active service) would receive a pension similar to that now awarded to widows of servicemen currently in the Armed Forces.

Yours sincerely

DAW

(DH)

5th January 1978

Further to my letter of 14th December I have been in touch with our Research Department.

The present anomalies arose because successive Governments tried to improve the conditions of war widows and this is perhaps a good example of Government creating problems by trying to be generous. In the early 1950s and again in 1973 new scale rates of benefits for war widows were introduced, which were more generous than the previous rates, but they only applied to those widowed after the dates in question.

The present anomaly to which you refer could have been averted if Government had kept all service pensions at the old rates and forgone the increases.

However I quite accept that the present situation is unsatisfactory and Mrs Thatcher has agreed that it is our wish to establish as rapidly as economic circumstances permit, a scheme whereby the widows of all servicemen killed in action (or dying from causes attributable to active service) would receive a pension similar to that now awarded to widows of servicemen currently in the Armed Forces.

Matthew Parris
Private Office of the
Leader of the Opposition

Mrs M L Daw

Sir Fergus Montgomery: Would my right hon. Friend care to comment on the "Environment in Trust" leaflets that the Government published yesterday, which show the Government's commitment to improving the environment and rivers? Does she consider that a good deal more useful than being photographed in a white coat testing the waters of the Regent's park canal?

The Prime Minister: The booklets to which my hon. Friend referred, in a folder called "Environment in Trust", are excellent and give the full, the accurate and the very good record of this Government on the countryside, the environment, water, getting down pollution and reducing the difficulties which we have had previously with our bathing beaches. It is a better record than any previous Government ever in this country.

Q2. Mr. Ashley: To ask the Prime Minister if she will list her official engagements for Thursday 2 March.

The Prime Minister: I refer the hon. Gentleman to the reply that I gave some moments ago.

Mr. Ashley: Before the Prime Minister boasts too much about the Government's record on the environment and before she makes this famous broadcast, will she recognise that the consumer and environment problems now swamping her Government are a direct result of her personal philosophy of non-intervention? She is reaping her own whirlwind and people will be protected from the ravages of industry only by a Government who are committed to positive intervention. That applies whether the problem is eggs, the ozone layer or anything else.

The Prime Minister: I point out to the right hon. Gentleman that this Government have positively intervened to spend far higher capital on water than ever the last Government did, to spend far higher capital on the National Health Service, and to spend far higher capital on roads. That is because we have had far bigger prosperity under this Government than any previous Government and, in fact, we have been able to spend money on those things. I also point out to the right hon. Gentleman that with regard to water matters and the state of the beaches, the bathing water directive was agreed in 1975 and the Labour Government did nothing about it for four years.

Mr. Ashby: When meeting environment Ministers next week, will my right hon. Friend please take time to explain to them the most excellent Water Bill that is now before the House? Will my right hon. Friend explain to them that in relation to the environment the Bill takes measures to improve the waterways, the rivers and the beaches? Will she suggest that perhaps they should emulate us and produce a similar sort of bill in their countries, specifically in Europe to clean up the Rhine?

The Prime Minister: My hon. Friend is correct. The most polluted rivers coming into the North sea are those which discharge into the German bight, which are the Rhine, the Weser and the Elbe, and they are responsible for most of the pollution in the North sea. I entirely agree with my hon. Friend that the water privatisation Bill will do two things. First, it will set up a separate National Rivers Authority and, secondly, it will make certain that the provision of water is very much more efficient than it has been in the past. I also point out that, although the Opposition talk a lot about water, they cut the capital

expenditure on water by 20 per cent. We have put up the capital expenditure on water by 30 per cent.—*[Interruption.]* Have the hon. Gentlemen got the figures? Labour cut it by 20 per cent; we have put it up by 30 per cent.

Q3. Mr. Canavan: To ask the Prime Minister if she will list her official engagements for Thursday 2 March.

The Prime Minister: I refer the hon. Gentleman to the reply that I gave some moments ago.

Mr. Canavan: As yesterday was the 10th anniversary of the last Scottish referendum, did the Prime Minister attend any of last night's anniversary banquets, where the Scottish representation appeared to be confined to Tory placemen, such as Lord Goold and the Duke of Buccleuch, and Tory rejects, such as Iain Sproat and Michael Hirst, whose opposition to a Scottish Parliament helped to lose them their seats in this Parliament? If the Prime Minister is that confident that Scottish opinion is truly and adequately expressed and reflected by such a parcel of rogues, can I call her bluff and dare her to hold another referendum now—or is she too scared?

The Prime Minister: I noted that it was the 10th anniversary yesterday. I am sure that the hon. Gentleman is very glad that the referendum was rejected by the Scottish people, because otherwise he would not be here now, and he does, in fact, add greatly to the entertainment of the place.

Q4. Mr. Barry Porter: To ask the Prime Minister if she will list her official engagements for Thursday 2 March.

The Prime Minister: I refer my hon. Friend to the reply that I gave some moments ago.

Mr. Porter: Is my right hon. Friend aware—I know that she is—of the plight of the pre-1973 war widows? Is she equally aware that a large number of hon. Members from all quarters of the House believe that the case made by those ladies deserves early, sympathetic and positive consideration?

The Prime Minister: Yes, but we have tried and, I think, have succeeded in giving both sympathetic and positive consideration to the case of war widows. There are two distinct pensions. One is that administered by the Department of Social Security and the other is the occupational pension, which differs according whether service continued beyond 1973. The changes made in the occupational pension, coming under the Ministry of Defence, were not retrospective. Most occupational pension improvements are not retrospective. All war widows receive a tax-free pension under the war pensions scheme administered by the DSS, regardless of their husband's date of death or period of service. Those pensions are at preferential rates, some 30 per cent. higher than the national insurance widows' pensions, with age allowances ranging from £5.75 a week at 65 to £14.45 a week at 80. We have done a great deal for the war widows' pension which, as my hon. Friend knows, is tax free.

Mr. Flannery: Has the Prime Minister taken note of Her Majesty's inspectorate's report on the alarming situation in our schools? Does she realise that virtually all the press, with the possible exception of Murdoch and company, are saying such things as *The Independent* said yesterday, when it described the situation as "a creeping

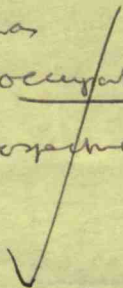
PRE-1973 WAR WIDOWS - ARTICLE IN THE INDEPENDENT, 2ND MARCH 1989

LINE TO TAKE

Preferential and tax free provision is made for all war widows under the War Pensions Scheme administered by the DSS.

Retrospective application of the improvements made to the Armed Forces Pension Scheme in 1973, so as to pay a second pension to all war widows, is precluded both because it would be contrary to normal principles for occupational pension schemes and because of the very great costs involved.

This came up at the colleagues
meeting. Chief whip said he was
working hard to get report outcome
at Committee. He hoped to win, but
possibly on by 1. PM was
adamant that this was an occupational
penic. These are new retrospectives
of MPR.





Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon John Moore MP
 Secretary of State for Social Security
 Department of Social Security
 Richmond House
 79 Whitehall
 London
 SW1A 2AH

3^d. March 1989

WAR WIDOWS

I understand there is real difficulty in your Bill Committee on this issue. I have no doubt you are doing all you can to dissuade our people on the Committee from supporting the proposals which have been put forward by Alan Amos. However, having also seen the recent correspondence between you and George Younger (6 and 21 February), I think it only right that I should make the Treasury's position clear.

I understand that the effect of the amendment put down by Alan Amos would be to introduce a new pension scheme, for pre-1973 war widows, paid out of the social security programme which would give them similar pensions as are available to post-1973 widows under the MOD scheme. As you know, George estimated in his letter that the cost of retrospection would be about £200 million a year. He also pointed out that the additional cost of making similar provisions for pre-1973 injured ex-Servicemen would be a further £400 million a year and that it would be very difficult indeed, if not impossible, to change the rules for one category without the other. He added that such a precedent would almost inevitably raise equally worthy claims, both within the Armed Forces Scheme and in respect of schemes in other public services.

In view of this massive potential cost, I have to say that, if we were to lose on this issue in Committee, it would be essential for this to be reversed on the floor of the House. The only alternative would be for the Defence programme to be correspondingly reduced; there could be no question of such a large amount being found from the Reserve. I hope this point can be made very plain to our people on the Committee.

I am sending a copy of this letter to the Prime Minister, George Younger, and David Waddington.

John Wablam
Yours Ever,
John
 JOHN MAJOR

FILE 8W

PRIME MINISTER

The attached papers include the letter about war widows. You will see that it is dated 5 January 1978, and is signed by Matthew Parris. We will have a detailed line next week in the light of the reporting at the time. But the key point on the MP letter is that it was written when you were in Opposition, and did not form part of the Manifesto.

(P. A. BEARPARK)

3 March 1989



DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

*copy
cc GAB*

From the Secretary of State for Social ~~Services~~ Security

Prime Minister 2

Andy Bearpark
10 Downing Street
LONDON SW1

*The Chief Secretary's preference is, I understand,
for a written P₂ tomorrow rather than an oral
statement*

27 February 1989

*Jim
- 27/2*

Dear Andy

WIDOWS

You are aware that my Secretary of State proposes to make a statement on widows to the House tomorrow in the wake of the release, at noon, of the Social Security Commissioners' decision on the case currently before them. As requested, I enclose a copy of the first draft of the text of the statement. I should emphasise that my Secretary of State has not yet seen the draft. It will be revised, perhaps radically, early tomorrow. We will then consult the Chief Secretary on the text.

*Yours,
Stuart*

J S LORD
Principal Private
Secretary

DRAFT ORAL STATEMENT

With permission, Mr Speaker, I would like to make a statement about widows benefits.

The House will know that changes were made to widows benefits as part of the social security reforms introduced in the Social Security Act 1986. The changes were agreed by the House and took effect from 11 April 1988. The prime purpose of the reforms was to focus help on older widows and widows with dependent children.

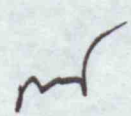
The basic structure of widows benefits had remained substantially unaltered for forty years, a period when there had been far-reaching social changes. More women worked than ever before, there were far greater numbers of lone parents, and occupational pension cover for widows had grown significantly. The Government believed then - and continue to believe - that the measures taken to change widows benefit were right: over the years the needs of widows had changed dramatically. The reforms concentrated help where and when it was most needed - immediately on bereavement and to provide continuing help to widows with children and older widows.

When the revised arrangements were introduced in 1988, particular groups of women were affected in ways they had not expected. These were women whose husbands had died before 11 April 1988 and who did not go on to receive widows pension as they would otherwise have done because of the change in the age bands. Several widows have taken cases before the Social Security Commissioner, whose decision on one group of cases is released today. [The Commissioner found against the Department on a point of law, and consideration is being given to an appeal from the Commissioner's decision on this legal point]. The Government believe however that whatever the legal position - and irrespective of the Commissioner's decision - we should modify the position for those women who were widowed before 11 April 1988.

I have therefore decided that women whose widow's allowance or widowed women's allowance ceases after 11 April will be entitled to the succeeding widow's pension on the age bands that existed before 11 April 1988. I should underline this point. The Commissioner's decision today covered only women in receipt of widow's allowance, that is widows with no dependent children. This change I am announcing goes further and also covers women with dependent children who were receiving widowed mothers allowance. We took the view on ground of equity and fairness that entitlement should be extended to this group of widows as well.

Mr Department will be identifying and contacting the women affected, and will be arranging payment as soon as possible. Any widow who has not been contacted within six weeks should get in touch with her local Social Security Office. Over 20,000 women will be affected by these changes, at an estimated net cost to public funds of around £5 million in a full year. I propose to bring forward an amendment to the Social Security Bill currently before the House as soon as practicable.

The Government are quite clear that the basic structure of the widows reforms is right. There will be no changes to affect those women widowed after 11 April 1988. We are clear that the widows reforms were a proper part of the process of change in the social security system. As part of our continuing commitment however to monitor the effects of the reforms, we have concluded that the way in which the reforms were applied were not fair to certain groups of widows. We have taken this early opportunity to remedy the situation. It will I am sure be commended by the House.





cc PC

2/2/89

MINISTRY OF DEFENCE WHITEHALL LONDON SW1 2HB

MO 4/6E

TELEPHONE 01-218 9000
DIRECT DIALLING 01-218 2111/3

21st February 1989

Dear John,

WAR WIDOWS

- mmpm?

Thank you for your letter of 6th February about the issue of pre-1973 and post-1973 war widows. I agree that there is considerable political interest in this problem, which is reflected in the number of signatures which were attracted by Early Day Motion 1237 last year, and now by EDM 66.

As you recognise, we are constrained by the long standing policy of Governments over the years which rules out retrospective application of improvements to public service occupational pension schemes. That policy is well-founded and any breach of it would be likely to have serious and wide-ranging implications. The most graphic illustration of this is the fact that the 1973 improvements to the Armed Forces Pension Scheme benefitted not only the subsequent war widows, but also Servicemen who suffer disability as a result of their service. In comparison with the estimated £200 million a year for retrospection in the war widows case, we have estimated that the additional cost of making the provisions for injured ex-Servicemen retrospective would be another £400 million a year. It would be very difficult indeed, if not impossible, to change the rules for one category without the other. And such a precedent would almost inevitably raise equally worthy claims, both within the Armed Forces

The Rt Hon John Moore



scheme and in respect of schemes in other public services. The same could probably be said for anything which fell short of retrospection in the normal sense, but which, by responding to pressures, would have some appearance of it.

We have already seen that limited measures to benefit war widows as a group, and I refer here to those which have been introduced into the War Pensions Scheme since 1979, do not significantly reduce the pressures. Any new measures, if it were to have the desired effect, would therefore have to be much more substantial, and very costly. As you will know, the pressures on the Defence budget are so strong that we felt unable to provide additional funds in support of the idea, canvassed last year, or a modest addition to the war widows age allowance. I would find it quite impossible to provide funding for the sort of measures which might satisfy the current lobby, and I imagine that you would have similar difficulties.

On the question of costs for giving pre-1973 war widows parity with post-1973 cases, I think I must make it clear that the figure of £200 million is, and can only be, a broad estimate. The amounts which would be payable to individuals, derived as they would be from the methodology of an occupational pension scheme, differ significantly from the 'current rate for all' basis of the War Pensions Scheme. The figure is the best available indicator of the costs of retrospection and is a function of the number of pre-1973 war widows receiving pensions at any given time and a likely average rate. Individual pensions under the post-1973 scheme are linked to rank, and have a very wide range of value. Subject to those limitations, £200 million is a net cost - there are very few pre-1973 war widows who could qualify for any pension under the Armed Forces scheme. As to the future, on a fixed-rate basis the aggregate cost would decrease in line with the net reduction in the number of pre-1973 war widows. A reduction in net numbers at a uniform rate of



say 2000 per year would correspondingly reduce the cost by about £8 million a year. If, on the other hand, you are able to project a different pattern for net reduction in numbers, a corresponding pattern of diminishing costs could be derived.

Projections of this kind could counteract the argument that the problem is fast diminishing. Equally they reflect the long-term cost, and difficulty, of doing anything about it. In political terms some sort of action would of course be highly desirable, but I have to say that as matters stand I do not believe that we are in a position to do anything, either because of the funding problem or, if that problem could be overcome, because of the likely knock-on effects I have already mentioned. Regrettably, therefore, I see no alternative to a continuation of the line which has been taken over the past few years. As you have pointed out, the issue is not, in general, one of basic needs. Where need arises you are already applying a policy of targetted assistance.

The letter from Mrs Susanna Burr is indeed unfortunate. But if, as it seems, that letter was in error, we cannot allow it to be elevated to create a commitment which did not exist. I think we have to make that clear to Nicholas Winterton.

I am copying this letter to John Wakeham, and John Major, and to Andrew Turnbull and Andrew Dunlop at No 10.

Yours ever,

George Younger

George Younger

HANSARD EXTRACT

8.11.79

Widows (Pensions)

Mr. Viggers asked the Secretary of State for Defence when he intends to introduce pensions for pre-1950 service widows; and if he will make a statement.

Mr. Speed: I have been considering how best to honour the commitment in our manifesto to introduce pensions for those widows of pre-1950 Servicemen who did not receive one. I am glad to say that this examination is now complete and a special once and for all scheme to give pensions to the so-called "pre-1950 widows" will be introduced from Monday next, 12 November 1979.

Briefly, the background is that, although Service officers' widows have been eligible for pensions for a century or more, the same facility was not available for ranks below that of warrant officer class I, until 1 September 1950. Thus the widows of many retired Service men were not able to receive any part of their

husbands' pensions, which simply died with them.

This anomaly is peculiar to the Armed Forces and my hon. Friend and others have fought a sustained campaign over many years to get this anomaly put right.

I am glad to say that from 12 November pensions determined by reference to a minimum length of service will be available on application to those widows of regular Service men who do not now receive a Forces family pension or a war widows pension and who fulfil the necessary conditions. The most important of these are that the husband was in receipt of a service pension during his lifetime, or if he died in service, would have been eligible for a pension if he had been invalided on the date of his death; and that the widow was married to her husband while he was still serving.

The rate of pension will be related only to the husband's pensionable rank, ranging from £21.47 to £35.33 per month and will be updated in line with pension increases.

It is not possible at present to say how many widows will be covered by this

scheme, since my Department does not keep records of Service widows who do not receive pensions, but I believe that up to about 30,000 might be eligible. I am, therefore, starting an intensive advertising campaign to tell people of the new scheme, and to invite those who believe they are eligible to apply for a pension. I must, however, say that the process of verifying applications may take a little while, and that, particularly if large numbers of applications are made in a short period, it may not be possible to put all into payment immediately. But, nevertheless, entitlement will be from 12 November, or the date of the husband's death, if later.

Defence

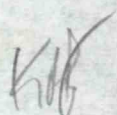
5 November 1979

Thank you for your letter of 1 November, about the proposed ~~Written~~ Answer which will announce the introduction of a pension for widows of pre-1950 servicemen who have not previously received one.

I confirm that the Prime Minister is content with the announcement, and the form of it.

MAP

D.T. Piper, Esq.,
Ministry of Defence.



820
PRIME MINISTER

cc Mr Ingham 2.

For information

MA 2/1



MINISTRY OF DEFENCE

MAIN BUILDING WHITEHALL LONDON SW1

Telephone 01-~~920 7022~~ 218 6169

1st November 1979

D/S of S/PS/2

No Press office need?
M.P.

Dear Nick,

On 8th November we will be announcing in the form of the enclosed Written Answer the introduction of a pension scheme for widows of pre-1950 servicemen who have not previously received one. This is not a matter which needs to be treated as an important announcement of Government policy as laid down in Guidance to Ministers, but the Defence Secretary believes that the Prime Minister will wish to be aware of it since the introduction of such a pension was one of the Government's Election Manifesto Commitments (under the section "The Elderly and the Disabled").

Since we hold no records on these pre-1950 widows an extensive advertising campaign will begin in the week starting 12th November telling people how to apply for the pension. Advertisements will be appearing in the national and local press as well as in relevant magazines. We are also considering whether suitable television and radio programmes might have a part to play in drawing the new scheme to the attention of those concerned.

I am sending a copy of this letter to the Private Secretaries to the Lord President, the Secretary of State for Social Services, the Chancellor of the Duchy of Lancaster and the Paymaster General.

Yours ever,

Allen PIPER

(D T PIPER)

N J Sanders Esq
10 Downing Street



PARLIAMENTARY QUESTION AND ANSWER

To ask the Secretary of State for Defence, when he intends to introduce pensions for pre-1950 Service widows, and if he will make a statement.

I have been considering how best to honour the commitment in our manifesto to introduce pensions for those widows of pre-1950 Servicemen who did not receive one. I am glad to say that this examination is now complete and a special once and for all scheme to give pensions to the so-called "pre 1950 widows" will be introduced from Monday next, 12th November 1979.

Briefly, the background is that although Service officers' widows have been eligible for pensions for a century or more, the same facility was not available for ranks below that of Warrant Officer, Class I, until 1st September 1950. Thus the widows of many retired Servicemen were not able to receive any part of their husbands' pensions, which simply died with them.

This anomaly is peculiar to the Armed Forces and my hon Friend and others have fought a sustained campaign over many years to get this anomaly put right.

I am glad to say that from 12th November pensions determined by reference to a minimum length of service will be available on application to those widows of regular Servicemen who do not now receive a Forces Family Pension or a War Widows Pension and who fulfil the necessary conditions. The most important of these are that the husband was in receipt of a service pension during his lifetime, or if he died in service, would have been eligible for a pension if he had been invalided on the date of his death; and that the widow was married to her husband while he was still serving.

The rate of pension will be related only to the husband's pensionable rank, ranging from £21.47 to £35.33 per month and will be updated in line with Pension Increases.

It is not possible at present to say how many widows will be covered by this scheme, since my department does not keep records of service widows who do not receive pensions, but I believe that up to about 30,000 might be eligible. I am, therefore, starting an intensive advertising campaign to tell people of the new scheme, and to invite those who believe they are eligible to apply for a pension. I must, however, say that the process of verifying applications may take a little while, and that, particularly if large numbers of applications are made in a short period, it may not be possible to put all into payment immediately. But, nevertheless, entitlement will be from 12th November, or the date of the husband's death, if later.



IT8.7/2-1993

2009:02



IT-8 Target

Printed on Kodak Professional Paper

Charge: R090212