

Confidential Filing.

Updating of Social Security Benefits.

SOCIAL

SERVICES.

Part 1: May 1979.

Part 5: Oct 1989.

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
2.10.89							
16.10.89							
20.10.89							
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PART 5 ENDS		PREM 19 / 3168					
		PREM 19 / 3169					

PART 5 ends:-

A. Dunlop to PM 18.5.90

PART 6 begins:-

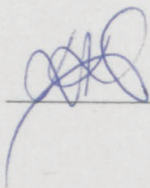
Home Office to DM 8.6.90

Published Papers

The following published paper(s) enclosed on this file have been removed and destroyed. Copies may be found elsewhere in The National Archives.

Facing up to Family Income:
Reversing the Economic Divestment of the Family
The National Family Trust
October 1989
ISBN 1 871375 02 9

Signed



Date

30/11/2016

PREM Records Team

PRIME MINISTER

Prime Minister

I have set up a meeting in mid July for you to consider the results of this review, as requested. CDS 1813

Prime Minister 2

To note.

BHP

18 May 1990

18/5

LONE PARENTS: RECOVERY OF MAINTENANCE

It has not been easy to get momentum behind the initiative. But the meeting of Ministers in February appears to have broken the log-jam. On current plans Tony Newton aims to put detailed proposals to you at the end of June/beginning of July.

Thinking within the interested departments is still, however, overly cautious and conservative. This stems partly from a fear of upsetting the lobby groups in this area.

But there is already a large measure of public consensus on what the basic structure of a new maintenance system should be.

This was confirmed at a meeting which Brian Griffiths, Robin Harris and I had yesterday with Catherine Porteous (Chairman) and Sue Slipman (Director) of the National Council for One Parent Families (NCOPB).

They are not our natural supporters. Sue Slipman, for example, is a leading member of the SDP. (She is also, incidentally, a lone mother).

They had two main messages, both of which were encouraging:

- (1) They are impressed by the effectiveness of the Australian system for assessing and collecting maintenance (most of whose basic features we are looking to adopt);
- (2) if the Government can get the tone right when presenting its policies on maintenance, then there will be a good deal of public support for what we are trying to do.

The Australian System

Catherine Porteous has recently returned from Australia. She had some interesting comments on the new system which came into effect in June

88. The main points were:

- it covers child maintenance payments to custodial parents on benefits and those not on benefits where separation occurred after the scheme started;
- action to enforce a maintenance payment is taken by a Child Support Agency (which is part of the Australian Taxation Office);
- the custodial parent is required to provide information about the identity and whereabouts of the other parent (failure to co-operate can result in a loss of benefit);
- assessment is by means of a formula administered by the Child Support Agency. The level of maintenance is automatically updated annually to reflect changing financial circumstances;
- collection is by automatic withholding of payments by employers in the case of PAYE tax payers, and in the case of the self-employed, by direct monthly payments;
- payments are distributed to custodial parents on a monthly basis by the Department of Social Security. The level of benefit which the lone parent is receiving is adjusted to reflect increased maintenance payments. But lone parents are allowed up to \$15 of maintenance per week before their benefit is affected (ie it operates like a disregard).

There is wide public support for the system. This is largely because it is felt to be fair. The NCOPB suggested that this was because there had been wide public consultation on the details of the formula beforehand.

The success of this new system in its first two years of operation has been phenomenal. Before the introduction only around 25 per cent of lone parents in Australia were receiving regular maintenance payments. The figure is now up to 80 per cent.

There is also apparently some anecdotal evidence that where youths are being forced to face up to sixteen years of financial responsibility for the children they have fathered, this has had a profound effect on the sexual behaviour of their contemporaries - apparently greater than AIDS.

Lessons for the UK

The NCOPB offered four pieces of advice as to how the Government should approach reform in the UK.

(1) **Moral Responsibility.** They felt strongly that the objective of reform should be seen to be a moral one: parents must be made to accept responsibility for the welfare of their children. This struck us as a surprising (and welcome) line for a body such as the NCOPB to be taking.

(2) **Universality.** They warned against creating the impression that the government's main objective was simply to save on benefits: then much public support for the initiative would be lost.

It was for this reason that the NCOPB were arguing that the system should be open and available to all lone parent, and not just those on benefits.

I am sure they are right in this, not least because it is a way of ensuring that people don't slip onto benefit because they are unable to recover maintenance.

(3) **Confidentiality.** They felt that this was crucial if people were going to co-operate with the system. Their point was that without a proper code of conduct which safeguarded the confidentiality of the lone mothers, they would fear threats of violence from their former partners. This would make them reluctant to pursue maintenance.

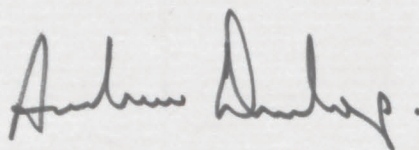
(4) **Incentives.** They laid great stress on the need to have "carrots" as well as "sticks" in the new system. They said that the success of the Australian system was due to the financial incentive (through a disregard) for both parents to co-operate. The mother did not find that what was given with one hand, was taken away with the other. And

the father could see that by paying maintenance he was actually improving the situation of his children.

(5) Access. They argued that the Government should resist any pressure to make the payment of maintenance a quid pro quo for the father's access to his children. They believe that the Courts may still judge that it is not in the interests of the child to have contact with the father no matter how diligently he pays maintenance. They do, however, think that if the new maintenance system is a success it could exert a powerful and favourable long-term influence on courts' willingness to grant access.

Conclusion

There is no need for any action at this stage. But the views of the National Council for One Parent Families are interesting. We will need to bear in mind the issues they raise when we come to consider Tony Newton's proposals.



ANDREW DUNLOP



Mr Morris

To see.

BHP

17/5

Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

17 May 1990

Barry Potter Esq
10 Downing Street
LONDON
SW1

Dear Mr Potter

FAMILIES WITH CHILDREN: LORD JOSEPH PAPER

As you are no doubt aware, the centre for policy studies is today publishing Lord Joseph's paper on measures which could be taken to help families with children - in particular the reintroduction of child tax allowances.

... I attach a line to take on this in case it is raised at Questions today.

I am copying this to Ross Hutchinson DSS.

Yours Sincerely
M. Parsons

for **MISS K GASELTINE**
Assistant Private Secretary

FROM: J D PORTES (FP)
DATE: 16 May 1990
x 5666

APS/CHANCELLOR

cc PS/CST
PS/FST
Mrs Diggle
Mr Rutter
Mrs Chaplin
Mr O'Donnell

FAMILIES WITH CHILDREN: LORD JOSEPH PAPER

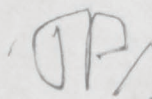
You asked for a line to take on the points in this CPS paper

2. Why not reintroduce Child Tax Allowances (CTAs) CTAs were replaced by Child Benefit, paid direct to the mother, rather than through tax system. CTAs would not help poorest and would benefit top-rate taxpayer most. CTAs could not - by definition - directly benefit non-working mothers. Married couples benefit from Married Couples Allowance and single parents from the Additional Personal Allowance.

3. Squeeze on families with dependent children? Real take-home pay for married couples with 2 children on average earnings up 31% since 1978-79, - hardly a squeeze [compared to 35.6% for a married couples with no children], compared to an increase of 0.6% under Labour.

4. Child Benefit Freeze Government recognises importance of Child Benefit to families with children. But freeze justified in light of competing demands on resources. Freeze does not affect poorest families, who benefit from increases in income support and family credit. Families with children, like taxpayers generally, have benefited from lower tax and real increases in take-home pay.

5. Fully transferable allowances? Fully transferable allowances proposed in 1986 Green Paper; but did not command sufficient support. Married couples benefit from Married Couples Allowances (MCA).


J D PORTES



AG

①

PRIME MINISTER

REVIEW OF MAINTENANCE FOR LONE PARENTS

I understand that consideration is being given to looking in H Committee at the outcome of the work you set in train on lone parents.

In view of your close interest in this subject, would you prefer to chair an ad hoc meeting yourself to look at the results, as you have done in the past? This would probably help to keep up the momentum.

Yes please mb

Or would you prefer H to take the issue further, keeping you informed?

CS

Caroline Slocock

11 May 1990

CAROLINE SLOCOCK

10 May 1990

THE MAINTENANCE REVIEW

I was rung up by Bill Taylor, an Under-Secretary in the Department of Social Security, who is overseeing the review. He had been contacted by the Cabinet Office about fixing up a meeting in June of H Committee to consider the outcome of the review.

His main concern was whether, given the Prime Minister's personal interest in this subject, she would want matters disposed of in this way.

I said that such arrangements were more of a Private Office matter, but that the Prime Minister might wish to take the issue in a meeting of Ministers in the first instance.

I did agree, however, to raise the matter with you. You might wish to touch base with the Cabinet Office. I understand the people dealing with it in the Cabinet Office are Rosalind McCool and Joan Bailey.



ANDREW DUNLOP



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

From the Secretary of State for Social Security

Handwritten initials: EJP

*N.B.P.M.
BHP
1/5*

The Rt Hon Norman Lamont MP
Chief Secretary to the Treasury
HM Treasury
Treasury Chambers
Parliament Street
London
SW1P 3AG

30th April 1990

Handwritten signature: Norman

Handwritten initials: flap

LONE PARENTS AND MAINTENANCE; ACCESS TO INLAND REVENUE DATA

Thank you for your letter of 18 April.

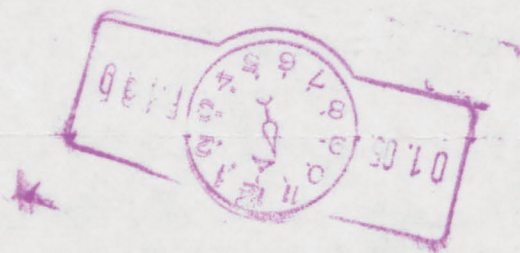
I very much welcome your statement that we can now implement this proposal. The pilot exercise done by our officials shows clearly that it is very worthwhile for Inland Revenue to provide DSS with the addresses of absent parents and names and addresses of their employers. I am happy for Peter Lilley to announce this along the lines of the draft Written Parliamentary Question and Answer enclosed with your letter, and it would be very helpful if his office could let mine know when this will be.

I am copying this to the Prime Minister, Geoffrey Howe, James MacKay, Peter Brooke, Kenneth Clarke, Peter Walker, Malcolm Rifkind, Kenneth Baker, David Waddington, Peter Fraser and Peter Lilley.

Handwritten signature: Tony

TONY NEWTON

SOCIAL SERVICES: Updating
Parts.



CONFIDENTIAL



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

23 April 1990

Draw Carys,

LONE PARENTS AND MAINTENANCE:
ACCESS TO INLAND REVENUE DATA

The Prime Minister has seen a copy of your letter of 18 April to the Secretary of State for Social Security. She has noted that your proposals on access to Inland Revenue data are a useful part of the package to keep down the costs of income support.

I am copying this letter to Tim Sutton (Lord President's Office), Paul Stockton (Lord Chancellor's Office), Stephen Leach (Northern Ireland Office), Andy McKeon (Department of Health), Stephen Williams (Welsh Office), Jim Gallagher (Scottish Office), Robert Canniff (Chancellor of the Duchy of Lancaster), Colin Walters (Home Office), Alan Maxwell (Lord Advocate's Department), and Steven Flanagan (Financial Secretary's Office).

Yours ever,

Barry

Barry H. Potter

Miss Carys Evans,
Chief Secretary's Office,
H.M. Treasury.

CONFIDENTIAL

KK

FILE DSG

bcAU.

CONFIDENTIAL

Prime Minister²

CCPM



A small but useful
step to reduce cost of
income support.

BHP
20/4

Treasury Chambers, Parliament Street, SW1P 3AG

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

18 April 1990

Good
- mt

Dear Tony

LONE PARENTS AND MAINTENANCE: ACCESS TO INLAND REVENUE DATA

I wrote to you on 23 February about the Inland Revenue providing details of private and employers' addresses to DSS to help trace absent parents. Officials of both departments were to compare the information on their respective data bases to see if such a significant change to Revenue practice on confidentiality would be worthwhile.

2. Revenue officials tell me that a sample of some 300 names of absent parents whom DSS could not find showed:

- in about half the cases the Revenue had no information or held the same address as DSS;
- of the other half, they had accurate addresses for about three out of four, but for the remainder their information was less up to date than that held by DSS.

3. Such a result would appear to provide enough accurate traces to make the cost of any false leads in the out of date cases worthwhile.

4. On this basis, we can now go ahead and, if you agree, the decision can be announced shortly after the House resumes. Your review is considering the disclosure of earnings, but for the present, the information to be exchanged will be limited to private and employers' addresses. In the meantime, I believe that Revenue officials are already in touch with yours about the necessary administrative arrangements and to agree a starting date.

5. I am copying this letter to the Prime Minister, Geoffrey Howe, James Mackay, Peter Brooke, Kenneth Clarke, Peter Walker, Malcolm Rifkind, Kenneth Baker, David Waddington, Peter Fraser and also Peter Lilley.

NORMAN LAMONT

DRAFT PARLIAMENTARY QUESTION AND ANSWER

- Q. To ask Mr Chancellor of the Exchequer what assistance the Inland Revenue give to the Department of Social Security to help trace absent parents who are not paying maintenance for lone-parent families in receipt of income support?
- A. Section 59 of the Social Security Act 1986 permits the Inland Revenue to provide information to the Department of Social Security and the Department of Health and Social Services for Northern Ireland, in connection with the operation of the benefit Acts, without breaching their confidentiality obligations. At present the information provided is confined to the details required to account for Class 1 National Insurance contributions, which the Inland Revenue collect on behalf of the DSS, and details of those known to be self-employed to assist DSS in collecting Class 2 National Insurance contributions.

I have ^{now} ~~today~~ asked the Inland Revenue to extend the disclosures made under their authority to include the addresses of absent parents and, where appropriate, the names and addresses of their employers, in cases where the absent parent is liable under the Social Security Act 1986 to maintain lone-parent families receiving income support.

DRAFT PRESS RELEASE

TRACING OF ABSENT PARENTS -
INLAND REVENUE ASSISTANCE TO DEPARTMENT OF SOCIAL SECURITY

The Financial Secretary to the Treasury, Mr Peter Lilley MP, today announced that the Inland Revenue will assist the Department of Social Security in tracing absent parents who have failed to make maintenance payments.

In reply to a Parliamentary Question the Financial Secretary said:-

"Section 59 of the Social Security Act 1986 permits the Inland Revenue to provide information to the Department of Social Security and the Department of Health and Social Services for Northern Ireland, in connection with the operation of the benefit Acts, without breaching their confidentiality obligations. At present the information provided is confined to the details required to account for Class 1 National Insurance contributions, which the Inland Revenue collect on behalf of the DSS, and details of those known to be self-employed to assist DSS in collecting Class 2 National Insurance contributions.

I have ~~today~~ asked the Inland Revenue to extend the disclosures made under their authority to include the addresses of absent parents and, where appropriate, the names and addresses of their employers, in cases where the absent parent is liable under the Social Security Act 1986 to maintain lone-parent families receiving income support."

NOTES FOR EDITORS

1. Where a lone-parent family claims income support, the DSS tries to contact the absent parent about maintenance. But if neither the lone parent nor the DSS knows the absent parent's current address, the DSS is not able to take further action.

2. Information about taxpayers held by the Inland Revenue is confidential and may not be released to other parties - even other Government Departments - except in very strictly limited circumstances. Among these, Section 59 of the Social Security Act 1986 provides that, subject to the authorisation of the Board of Inland Revenue, information required in connection with the operation of any of the benefit Acts may be disclosed to the Department of Social Security or the Department of Health and Social Services for Northern Ireland. At present this information is confined to the details required to account for or collect National Insurance contributions. ^{in future addresses will be passed} ~~The Board have now authorised the passing of addresses~~ to those Departments, in connection with the tracing of absent parents liable under the Social Security Act 1986 to maintain lone-parent families receiving income support.

SOCIAL SERVICES
Updating Benefits
PT 5



Prime Minister 2

To note the NAO
report on DSS support for
lone parent families.

Copy:
Mrs Swalesham

The fall in the proportion of lone parents
receiving maintenance support from liable

FINAL PRESS NOTICE

relatives (50% in 1981 to
23% in 1988) is striking

REPORT BY THE COMPTROLLER AND AUDITOR GENERAL

BHP

9/4

DEPARTMENT OF SOCIAL SECURITY:

SUPPORT FOR LONE PARENT FAMILIES

The Comptroller and Auditor General, John Bourn, today reported on the results of a National Audit Office (NAO) examination of the support provided by the social security system for the estimated one million lone parent families in Great Britain. During 1988-89 social security expenditure on this claimant group amounted to an estimated £3.6 billion. Income Support accounted for half this total.

It is the policy of Ministers to structure Social security benefits so that (i) they contain some recognition of the additional needs of lone parent families and (ii) while not requiring lone parents with children up to the age of 16 to be available for work, they nevertheless do not unduly discourage lone parents from working if they so wish.

Between 1980 and 1988 the number of lone parents receiving Supplementary Benefit/Income Support more than doubled to 722,000. During the same period expenditure on income-related benefits paid to lone parent families grew by around 140 per cent in real terms. In the light of these trends, the NAO examination concentrated on key elements of Department of Social Security (DSS) stewardship of the money provided by Parliament for lone parent families. In particular, they considered whether the Department adequately evaluate the extent to which objectives for this claimant group are being achieved.

NAO examination found that the DSS did not at present have the research information to enable them to reach firm quantified conclusions about the factors giving rise to lone parents' increasing dependency on Supplementary Benefit/Income Support. Until improved information from a number of initiatives which the DSS have in hand becomes available, the Department will be unable to evaluate whether measures included in the current benefit system are having the effect intended and do not unduly discourage lone parents from working if they wish to do so.

Pending the outcome of the Department's initiatives, the NAO looked at available evidence of lone parents' perceptions and experiences in relation to factors that had a bearing on their decisions about work. In particular, there was uncertainty among some lone parents about the value of financial incentives to work provided by the social security system and concern that incentives could in any event be cancelled out by the need to incur work-related expenses such as those for travel and child care. The NAO found that there was a lack of information about such expenses incurred by lone parents. However, the Department's current survey should help to evaluate the effect of these expenses on the work incentives provided by the social security system.

X Between 1981 and 1988 the proportion of lone parent families on Supplementary Benefit/Income Support receiving maintenance from liable relatives fell from 50 per cent to 23 per cent. The NAO concluded that among the factors contributing to this decline were the resources which the DSS devoted to liable relatives work and the performance by local offices of that work. They noted that the DSS have a number of initiatives in hand to improve their oversight of liable relatives work; to strengthen procedures for recovering maintenance; and to help establish the scope for increasing the amount of maintenance obtained for lone parent families receiving Income Support.

NOTES FOR EDITORS

The Committee of Public Accounts is expected to take evidence on the Report during May 1990.

The Comptroller and Auditor General, John Bourn, is the head of the National Audit Office employing some 900 staff. He, and the NAO, are totally independent of Government. He certifies the accounts of all Government departments and a wide range of other public sector bodies; and he has statutory authority to report to Parliament on the economy, efficiency and effectiveness with which departments and other bodies use their resources.

PRESS NOTICE

All enquiries to NAO Press Office: Tel: 01 798 7400

NAO REPORT: SUPPORT FOR LONE PARENT FAMILIES

MAIN POINTS

Government policy for benefit system for lone parent families:

- recognise special needs;
- not require lone parents with children under 16 to be available for work but not unduly discourage from working if want to;
- reduce benefit expenditure by recovering maintenance from absent parent.

Issues examined by NAO

- DSS database on lone parents;
- DSS monitoring and evaluation of financial impact of benefit arrangements for lone parents;
- cost effectiveness of DSS's procedures for recovery of maintenance.

Findings

- DSS has some data but not sufficient to provide full analysis of factors ~~in the increasing~~ dependence of lone parents on Supp Ben/IS;
- DSS taking steps to improve the position but until complete not fulfilling full range of responsibilities of adequate stewardship;
- Factors in fall in number and proportion of lone parents for whom maintenance paid are lack of resources and performance in local offices despite cost

effectiveness of work;

- lack of information about potential for more maintenance and of control and measures of performance but DSS seeking to improve.

SUPPORT FOR LONE PARENT FAMILIES: NAO

BULL POINTS

- Lone parents with children under 16 not required to be available for work to get IS;
- most of special help in benefit system for lone parent families for lone parents wanting to work (so not unduly discouraged);
 - higher disregard in Income Support. (£15 a week compared with basic £5 for single people);
 - same adult credit as a couple in Family Credit and One Parent Benefit disregarded;
 - earnings disregard in Housing Benefit to be increased from £15 to £25 a week from October - will benefit those in work;
- Report acknowledges that DSS already has a significant amount of information about lone parents;
 - our statistics on benefit recipients;
 - past research eg 1982 study examining operation of the tapered earnings disregard;
 - awareness of research by outside organisations;
- DSS had already set in hand in 1987 action to improve information on lone parents - major research on motivations of lone parents final report due later this year. Lone parents also part of study on Wider Effects of Unemployment;
- DSS has already taken action to improve recovery of

11078

maintenance for lone parent families. In 1988/89 £155 million recovered. Target of £180 million ^{for} 1989/90 likely to be achieved. For 1990/91 new target of £260 million - we will ensure work has resources and priority it deserves;

- DSS looking at whole maintenance system in conjunction with Lord Chancellors Department, Home Office and Scottish Departments and have to gather commissioned a survey of courts and DSS offices to find out how works. Also examining operation of systems overseas for useful lessons.

SUPPORT FOR LONE PARENT FAMILIES: NAO

ELEPHANT TRAPS

DSS lacks information to evaluate benefit arrangements for lone parent families

the report acknowledges we already have some information and that we have taken steps to improve. Probably impossible to come to full analysis of all the factors influencing lone parents decisions - very complex area - not just social security.

Benefit system encourages dependence on Income Support

Government concerned about this issue - right that help should be available to families who need it but important to get balance right. The report itself acknowledges that a number of other factors influence lone parents decisions eg. age of children, attitudes to mother working, strain of the marriage breakdown. Much of special help in benefit system for lone parents is for those who want to work.

No incentive for lone parent on Income Support to work part-time.

Income Support primarily a safety net benefit for those unable to support themselves by working. Some recipients like lone parents, want to keep in touch with the labour market so the rules ignore some of their earnings from part-time work when calculating benefit. At £15 a week the amount ignored for lone parents is higher than for single people and couples. To go further could discourage lone parents from leaving Income Support and moving to full-time work.

The removal of work expenses disregard available in Supplementary Benefit makes it harder for lone parents to work part-time in the new Income Support scheme

But when there was one very few lone parents used it. And help linked to benefit might deter people from leaving Income Support.

Difficult for lone parents to work out whether better off working than on Income Support

agree it can be difficult because influenced by many things eg earnings, housing costs, work-related expenses, maintenance payments. DSS recognise problem - give claims to Family Credit for those leaving Income Support priority, and prepared to indicate likely Family Credit for particular wage level.

Why no child care provision for benefits like in Employment Training

different situation. Employment Training is for limited period to ensure that someone with sufficient motivation to undertake training not prevented by child care costs.

What does "not unduly discourage" mean?

necessary to maintain a balance between help and what might be seen as pressure. Also help for lone parent families has to be seen in context of Government's overall objectives for the benefit system and the help available to other groups. What we provide is some recognition of the fact that lone parents who want to work have to combine in one person the role of child carer and bread winner.

Why such poor record on maintenance?

The period in which NAO looked at offices performance was a time of particular pressure for local offices. Not surprising that in some offices under pressure this work had sometimes to take second place to the job of paying benefits. We are taking steps to improve the position and give this work the priority it deserves.

Why do some offices perform worse than others?

There can be a variety of reasons, perhaps because the office is in an areas of high unemployment and fewer absent parents may be able to

afford maintenance or because that office was under particular pressure at the time.

file DT5



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

5 April 1990

Are kept for this questions?

Thank you for your letter of 4 April about Low Income Statistics which the Prime Minister has seen and noted without comment.

DOMINIC MORRIS

Ross Hutchison, Esq.
Department of Social Security

h

CONFIDENTIAL



MS
c:Income
-PV

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

29 March 1990

INCOME SUPPORT RESIDENTIAL CARE AND
NURSING HOMES LIMITS

Thank you for your letter of today's date which the Prime Minister has seen and noted.

I am sending a copy of this letter to Sonia Phippard (Cabinet Office).

Paul Gray

Stuart Lord Esq
Department of Social Security.

LS

CONFIDENTIAL



DEPARTMENT OF SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

copy

From the Secretary of State for Social Security

CONFIDENTIAL

Paul Gray Esq
10 Downing Street
London
SW1A 2AA

Pine Mink

This is set for 28 March 1990

Newton will be announcing this evening. H

Dear Paul involves some amendments from the earlier package
I advised to you (and that you were asked to colleagues to look at).

INCOME SUPPORT RESIDENTIAL CARE AND NURSING HOMES LIMITS

*Rec 6
18/3*

As you know, we have been considering the steps that need to be taken following the defeat at Report stage of the NHS and Community Care Bill on the Opposition amendment to increase the amounts of Income Support paid in residential care and nursing homes. A broadly similar amendment has been put down by the Opposition to the Social Security Bill for Report stage tonight.

I am writing to let you know how my Secretary of State proposes to respond during the course of the debate and the measures he intends to announce. He does this of course with the consent of the Chief Secretary to the Treasury, and following Cabinet agreement that a substantive response was necessary.

Firstly, the Secretary of State intends to respond to the concerns expressed in the earlier debate about the situation of people with preserved rights to Income Support after 1991. He will move a new clause to the Bill to confirm his ability to specify in regulations cases in which an existing resident's Income Support is to be determined by reference to charges paid by a local social services authority under the new funding arrangements. He believes that it is desirable to move such a clause in order to ensure that the debate is conducted on the Government's terms rather than as a direct response to the Opposition amendment. The power would not be commenced, nor regulations made under it, without Treasury approval.

The power is designed simply as an enabling power to assist in setting up a system of more local limits, that is, a move to some system of geographical variation specified for districts or areas of Great Britain. We would not be able to use this power from April 1991; but we may want to start to use it in reviewing and setting the limits once we are satisfied that enough robust information is available from local authorities. We are also considering other ways in which to collect better information about costs and charges in homes and my Secretary of State will say that he expects to approve the commissioning of a study in the near future.

E.R.

Secondly, my Secretary of State has concluded that there is a case for further action ahead of 1991. He has therefore decided to introduce a second stage to the increase in the limits in 1990-91. In addition to the changes already announced and being made next month, from 13 August he proposes further targeted increases to all the Income Support limits to help maintain their value during the coming year.

In nursing homes the limits be increased in August 1990 by £10 for all categories, except that the increase will be £15 for the terminally ill. For residential care homes £5 will be added in August. The full picture is set out in the attached sheet. More than 200,000 people will benefit from these additional increases. The cost of these new improvements will be £72 million in a full year and the cost in 1990-91 will be £45 million, half of which will be met from the reserve. The remainder of the cost in 1990-91 and the full cost thereafter will be met without any net addition to the DSS programme.

I should add that my Secretary of State has considered carefully the suggestion made at Cabinet that any concession should be restricted to those already in homes and not apply to new cases. There are some practical and presentational difficulties and potential unfairness associated with this approach which he believes mitigate against it and which would more than cancel the political benefits to be gained from the measures outlined above. In particular, it would be difficult to defend excluding a group of residents - those entering homes between now and April 1991 - from receiving the additional Income Support payments from August that the Government are acknowledging are necessary for the rest. Setting August as the cut-off point could lead to an influx of cases into homes beforehand. The Secretary of State also believes that any possible public expenditure savings are likely to be insubstantial because of the relatively limited number of admissions to homes between August and the next uprating in April.

I am copying this note to the Private Secretaries to other members of the Cabinet and to Sonia Phippard.

Yours,

Stuart

J S LORD
Principal Private Secretary

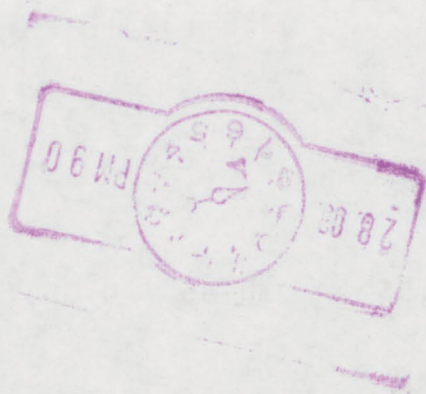
PROPOSED INCOME SUPPORT LIMITS FROM APRIL AND AUGUST 1990
(FIGURES IN BRACKETS SHOW LIMITS FROM APRIL 1989)

RESIDENTIAL CARE HOMES

<u>Registration Category</u>	<u>London (£)</u>		<u>Outside London (£)</u>	
	April	August	April	August
Elderly	173	176 (163)	150	155 (140)
Very dependent or blind elderly	188	193 (178)	165	170 (155)
Mentally ill	173	178 (163)	150	155 (140)
Drug or alcohol dependent	173	178 (163)	150	155 (140)
Mentally handicapped	198	203 (188)	175	180 (165)
Physically disabled and disablement began under pension age	233	238 (223)	210	215 (200)
Other (including physically disabled over pension age)	173	178 (163)	150	155 (140)
FOR PERSONAL EXPENSES	10.55	10.55 (10.05)	10.55	10.55 (10.05)

NURSING HOMES

<u>Type of Care</u>	<u>London (£)</u>		<u>Outside London (£)</u>	
	April	August	April	August
Elderly and other (including physically disabled over pension age)	223	233 (213)	200	210 (190)
Mentally ill	223	233 (218)	200	210 (195)
Suffering from drug or alcohol dependency	223	233 (213)	200	210 (190)
Mentally handicapped	238	248 (228)	215	225 (205)
Physically disabled and disablement began under pension age	268	278 (258)	245	255 (235)
Suffering from a terminal illness	268	283 (258)	245	260 (235)
FOR PERSONAL EXPENSES	10.55	10.55 (10.05)	10.55	10.55 (10.05)





File PM

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

26 March 1990

Dear Sir,

SOCIAL FUND: JUDICIAL REVIEW

Thank you for your letter of 23 March enclosing the draft oral statement to be made in the House today, which the Prime Minister has seen and noted.

I am copying this letter to Gillian Baxendine (Lord President's Office), Stephen Williams (Welsh Office), Jim Gallagher (Scottish Office), Carys Evans (Chief Secretary's Office) and Murdo Maclean (Chief Whip's Office).

Pa
PM

PAUL GRAY

Simon Willis, Esq.,
Department of Social Security.

M

CONFIDENTIAL

Note
Told Shab (ad (DSS) re
PM's reaction.

RAC 6

26/3

PRIME MINISTER

SOCIAL SECURITY PAYMENTS FOR RESIDENTIAL AND NURSING

HOME CARE

You may like to be aware of the current state of negotiations between Departments about a possible concession following the Government defeat on social security support for residential and nursing home care.

I gather that DSS and Treasury Ministers are currently discussing a package along the following lines:

- a new clause in the Bill providing greater local flexibility in the payment arrangements under the new regime post-April 1991;
- for 1990/91 a package of increased limits possibly costing some £60 million. This would involve:
 - (a) increases in national rates from £5 a week for normal residential homes to £20 for the terminally ill in nursing homes.
 - (b) Increases in the London premium ranging from £2 for residential care to £7 for nursing homes.
 - (c) The introduction of a new premium for the South East (between the national and London rates) ranging from £5 for residential to £10 for nursing homes.

There will be further inter-Departmental discussions on Monday. The aim is to secure agreement to a package that could be announced mid-week.

(i) Content to let colleagues sort this out?

OR

(ii) Do you want me to feed in any reactions informally (bearing in mind you have not yet had any formal report on this)?

OR

(iii) Do you want to request an early formal report on the position reached?

Pro.

PAUL GRAY

23 March 1990

CONFIDENTIAL



DEPARTMENT OF SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

Fax 01-210 5415

From the Minister of State for Social Security and the Disabled

cc Q's
DC
PS
Press
DM

nr

Paul Gray Esq
Private Secretary
10 Downing Street
London
SW1

Prime Minister²

23 March 1990

RCCB
23/3

Dear Paul,

SOCIAL FUND: JUDICIAL REVIEW

I am attaching the draft of an oral statement which my Minister will be making in the House on Monday 26 March.

The statement informs the House about the action Ministers are taking in consequence of the recent High Court judgement on the Social Fund. It explains that revised guidance is being sent to Social Fund Officers and that a leaflet has been prepared aimed at people who might be affected by the judgements. The statement also makes clear Ministers' intention to legislate to return the operation of the fund to what was originally intended. The opportunity will also be taken to announce the increased Social Fund budget for 1990/91 and the allocations to individual local offices.

I am copying this letter to Gillian Baxendine (Lord President), Stephen Williams (Welsh Office), Jim Gallagher (Scottish Office), Carys Evans (Chief Secretary), and Murdo MacLean (Chief Whip).

SIMON WILLIS
Private Secretary

With permission Mr Speaker I will make a statement on the Social Fund. The House will recall that on 21 February the High Court delivered Judgement on applications for Judicial reviews in three cases concerning the Social Fund.

The Judgement confirmed the power to give directions for the control and management of the Social fund. It also confirmed the directions on how Social Fund Inspectors are to review decisions, but found that some guidance was not consistent with the direction. Finally, it found that some aspects of the guidance on budgets was too prescriptive, and therefore not valid as guidance.

On the day of the Judgement the department sent a letter to Social Fund Officers, informing them that the local office budget and the level of priority that might usually be met were factors to be taken into account in reaching a decision but they were not the overriding factors. I am now in a position to set out in detail the further measures we shall be taking in response to the Judgement.

We are today issuing new guidance to all Social Fund Officers to take account of Court's decision that some of the guidance on the budget in the Social Fund manual was couched in language that was too prescriptive for guidance.

We are also issuing guidance today about applications for review from people who may have had applications to the Fund turned down on grounds of insufficient priority because of budgetary constraints. A leaflet for the public to provide information on this matter is being distributed to DSS local offices.

As I have already mentioned, local offices were advised on the day of the judgement that the guidance on budgets was defective. From then onwards cases should not have been refused on the basis of the defective guidance. However, if any applicants are dissatisfied with the Social Fund Officer's decision they have the right to request a review in the normal way.

Although the Court found that some of the guidance on budgets was too prescriptive, its judgement explicitly recognised that Parliament clearly intended that the Social Fund should be subject to strict monetary limits and that the Secretary of State needs to be able to give directions to achieve financial control. In the light of that and so that there should be no doubt that it is the Government's intention that the Social Fund should be operated within a firm budgetary framework, I am introducing an amendment in the current Social Security Bill to make explicit the power of my Rt Hon friend to give directions relating to the financial control of the fund. The amendment will similarly put beyond doubt my Rt hon Friend's power to specify who is eligible for payments from the Fund.

We will also take the opportunity to introduce two other minor amendments for the purposes of clarifying the procedures for applications for loans from the fund and the date on which an application to the fund is to be treated as having been made.

Copies of the new guidance on budgets and reviews and of the leaflet are in the Library.

I should also like to take this opportunity to remind the House that on Friday, 16 February my Rt Hon friend, the Secretary of State for Social Security, laid the Social Fund (Miscellaneous Amendments) Regulations. These will introduce a number of beneficial changes to the scheme with effect from 9 April. In particular, they will implement two changes which we announced in the uprating statement. First, the change to the capital rule, which he made for Social Fund Cold Weather payments in January, will be extended to the other Social Fund Regulated payments. Thus, people aged 60 or over may qualify for help whilst retaining up to £1000 in savings. Second, the regulations will increase the amount payable for maternity expenses from £85 to £100.

Finally I wish to turn to the Social Fund budget for 1990/91. The House will recall that I announced last year that the gross allocation for discretionary payments in the coming year would be £205 million. However, our experience of operating the loans element of the fund has clearly shown that it will be possible to use the available resources even more flexibly next year through the recirculation of repayments returning to the fund. I am therefore pleased to say that I am now able to increase the gross allocation by a further £10 million for 1990/91 to £215 million. This means that the gross budget for 1990/91 will be £12 million higher than in 1989/90.

The £215 million will be divided to provide £152m for loans and £63m for grants. [In 89/90 the allocation is £143m for loans and £60m for grants]. As in previous years, I shall be holding back £2m as a contingency reserve.

In allocating the budgets to local offices we have included the value of the additional allocations amounting to £3 million made in December and January to 106 offices facing particular pressure. Every one of the department's offices will receive a higher allocation next year. 15 per cent of offices will receive budget increases of 10 per cent or more compared with their April 1989 allocations, and nearly three-quarters will get increases of 5 per cent or more.

I shall circulate a list of the allocations to individual offices in the Official Report. I have also placed a copy of the allocations in the Library together with a note explaining how they were calculated. I am confident that the measures, I have announced today will ensure that the Social Fund continues to be a fair and flexible scheme for those who are most in need.



File
RK

MEETING RECORD

Subject cc RUTEN

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

15 March 1990

Dear Tom,

INCOME RELATED BENEFITS: CAPITAL LIMITS

The Prime Minister and the Chancellor had a brief discussion yesterday evening in the light of the Secretary of State for Social Security's letter to the Chancellor dated 14 March. They agreed that, in the light of the latest developments and information, it would be appropriate to raise to £16,000 the capital limit for Community Charge Benefit and Housing Benefit, and to £8,000 the capital limit for Income Support and Family Credit. In both cases, however, there should be no change in the starting point for the tapers at £3,000.

I am copying this letter to Stuart Lord (Department of Social Security) and Carys Evans (Chief Secretary's Office).

Yours,
Paul

(PAUL GRAY)

John Gieve, Esq.,
HM Treasury.

dg



ccpa
Lord Advocate's Chambers
Fielden House
10 Great College Street
London SW1P 3SL

Telephone: Direct Line 01-276 6810
Switchboard 01-276 3000
Fax 01-276 6834

The Right Hon Tony Newton OBE MP
Secretary of State for Social Security
Richmond House
79 Whitehall
LONDON SW1A 2NS

Prime Minister?
CAS
15/3

14 March 1990

Dear Tony,

SOCIAL SECURITY BILL: LONE PARENTS AND MAINTENANCE

For my interest in the enforcement of court orders in Scotland I was glad to see your letter of 12 March about the matters you propose to include in the Bill. Your proposed measures should be useful on a short-term basis before the long-term measures can be introduced.

You mention that some residual technical issues have arisen. I hope that these can be resolved in the near future and that they will not prove, on detailed examination, to be more than merely technical. For example, in Scotland a person holding a court order instructs enforcement without further recourse to the courts. (Hence on the measure iii it may be necessary for there to be some link between the DSS and the maintenance creditor to allow for DSS taking over enforcement of the claimant's own order.) I see no reason in principle why the differences between the two law districts should make for difficulties in framing your provisions but clearly it will be necessary for us to give proper consideration to these differences.

I am copying this letter to colleagues on H and L Committees.

Yours ever,
Peter

FRASER OF CARMYLLIE



celo



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

Prime Minister²

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

As you will see from the
attached, Mr Newton is
hoping to table amendments
to the Social Security Bill
on 28 March to follow up
your recent meeting.

14 March 1990

Dear Tony,

MS
14/3
Fax copy attached
hard copy to follow
tomorrow.

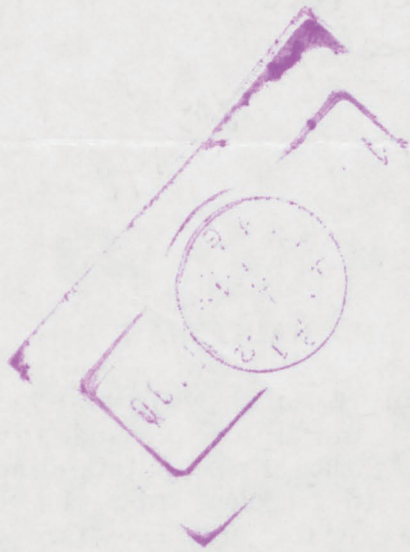
SOCIAL SECURITY BILL: LONE PARENTS AND MAINTENANCE

Thank you for copying to me your letter of 12 March with your proposals for the Bill. I welcome your proposals, and I am pleased that your officials will continue to liaise with mine. Some of the outstanding detail will be important. For example, it needs to be clear that the right to recover the mother's personal allowance exists only so far as that allowance reasonably represents the costs of caring for the children. I think, too, that court orders will need to distinguish this amount within the total of the order, since it is this element which will be at issue when the mother comes off income support. We need to ensure that your orders supersede any private law orders in force; and that once they are transferred, they are reviewable in the same way as private law orders. And there ought to be provision for notifying the father of such a transfer.

I register these points simply out of a concern that we do not detract from the credit we will get from these reforms by leaving ourselves open to the charge that we are being unfair to fathers. Recent media coverage of the lone parent issue has clearly identified the potential for such a reaction.

Copies of this go to the Prime Minister, colleagues on F and L and to Sir Robin Butler.

MALCOLM RIFKIND





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

From the Secretary of State for Social Security

BUDGET CONFIDENTIAL

The Rt Hon John Major MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London
SW1P 3EB

14 March 1990

Dear John,

INCOME-RELATED BENEFITS: CAPITAL LIMITS

We have discussed further the proposal to raise the capital limits to £12,000 for Community Charge Benefit and Housing Benefit and £9,000 for Income Support and Family Credit, and I have been considering how the change might be backdated to April, at least for Community Charge Benefit. You share my concern about the anomalies backdating will create and, following repeated representations about the Community Charge Benefit limit in the House, we discussed both the level of the limits and how the changes might all be implemented from April.

Turning to implementation first, I am satisfied that we can put in place regulations which would increase the limits from 1 April, without significant risk of legal challenge.

As you know, such changes are normally subject to consultation, which can be avoided only by the use of the urgency procedures and to invoke urgency carries a risk of challenge. In this instance, we shall need regulations both to raise the limits and to extend to these cases in the other benefits the provision which already exists in Community Charge Benefit to allow backdating of claims for 56 days. This will be essential since otherwise people would not be entitled until they claimed, which - given the lateness of the change - could be well into April or May. My lawyers have found a way in which we could regulate to raise the Community Charge Benefit and Housing Benefit limits without having to consult the Local Authority Associations, thus avoiding the risk of challenge. We would have to invoke urgency to avoid consulting them on the 56 days' backdating for Housing Benefit, and to avoid consulting the Social Security Advisory Committee on both the rise in the limits and the 56 day rule. I would not anticipate challenge from the Social Security Advisory Committee: nor the Local Authority Associations, since the 56 days' backdating will be helpful to them. Eventual criticism from the Public Accounts Committee for such a last-minute change will of course be inevitable.

E.R.

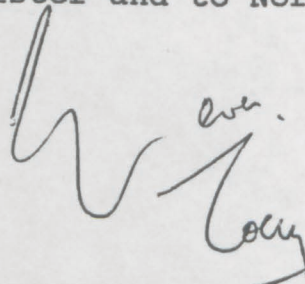
You are well aware of the severe difficulties local authorities are labouring under in implementing the Community Charge Benefit scheme, particularly since the Transitional Relief arrangements have greatly complicated the situation. It will be difficult for them to implement anything new in April, so it is vital that we keep the change as simple as possible. The programming difficulties associated with different capital rules for Community Charge Benefit and Housing Benefit make it likely that such a change could not be made before October, so an early change in one necessarily entails a change in the other.

We agreed today that our backbenchers' concern that the capital limit for couples in Community Charge Benefit should be double that for singles is now such that we do not believe we can satisfy demand for a change with less than an increase to £16,000 (across the board, since separating couples and singles would be operationally extremely difficult for Local Authorities and probably not achievable until next year). This increases the cost by £30 million on top of the £95 million full year cost of £12,000 for HB/CCB and £9,000 for IS/FC.

It seems to me that there are two ways of dealing with this. Either we simply meet the cost - and I can offer to contribute the £40 million a year saving which will be realised as a result of my proposals to improve the recovery of maintenance from liable relatives - or we leave the capital limit for Income Support and Family Credit at £6,000 instead of raising it as planned to £9,000.

I have to say I am most reluctant to make no change for IS and FC. The undesirable disalignment between the income-related benefits would be exacerbated and if we make no move now on IS/FC there would certainly be pressure for a substantial increase, if not to £16,000 then perhaps to £12,000 to match the doubling of the HB/CCB limit. It has never been easy to find a justification for different capital limits, especially as between Income Support and Housing Benefit; and the more they differ, the harder it will be to explain why people should not be expected to use their savings to pay rent, but should be expected to use them to pay other basic living costs. And you yourself may feel that the presentational advantages of the change will be considerably less if we announce an increase for Community Charge Benefit and Housing Benefit but not for Income Support and Family Credit.

I am copying this letter to the Prime Minister and to Norman Lamont.


TONY NEWTON



From the Secretary of State for Social Security

The Rt Hon Sir Geoffrey Howe QC MP
Lord President of the Council
Privy Council Office
Whitehall
London
SW1A 2AT

12th March 1990

Jean Geoffrey

LONE PARENTS AND MAINTENANCE

As you know, the Prime Minister held a meeting on 20 February to discuss what measures should be taken to improve the recovery of maintenance from absent parents. It was agreed that my Department would proceed with all speed on the short-term measures set out in my note of 16 February. Some of these require primary legislation and it was agreed that they would be included, where possible, in the current Social Security Bill.

The measures concerned involve:

- i) extending the existing provisions which set out liability when Income Support is claimed by a lone parent to enable the recovery of benefit expenditure to cover the needs of the caring parent. At present, unless the parents are still married, the liable person is responsible for benefit expenditure only in relation to the children of the relationship. The amendment will enable DSS to seek to recover the personal allowance paid to a divorced or never-married lone parent as part of what is recovered for the children as well as the allowances and premiums which directly relate to them. This brings Social Security arrangements into line with those in private law.
- ii) extending the scope of orders taken out by DSS to recover benefit expenditure so that the order can be transferred to the liable person when she ceased to claim benefit. At present the Department's order ends when the claim ceases. The lone parent would therefore need to go to court herself to obtain a maintenance order, which could deter some lone parents from making the transition to independence. The amendment will give DSS power to transfer an order they have taken out to the lone parent herself where this is appropriate.

E.R.

iii) giving DSS power to ask courts to enforce a claimant's own maintenance order. This will enable DSS to take whatever enforcement action is open to the claimant herself. This will remove the need to ask the lone parent to approach the courts.

As discussed at the Prime Minister's meeting, these are important policy developments which will make valuable improvements in the maintenance recovered from absent parents. A few residual technical issues have arisen and I have asked my officials to pursue and resolve these in agreement with colleagues'. They are also in discussions about the resource implications.

I am copying this letter to colleagues on H and L Committees and, unless I hear to the contrary by 2 pm Wednesday 14 March, I will assume agreement, and include appropriate amendments at Report Stage of the Social Security Bill on 28 March. The Government's stand on maintenance and absent parents' responsibility elicited widespread support and I think it is important to maintain the positive impact. I am therefore anxious to make an announcement in good time before laying. My officials will, of course, continue to be in touch with officials in the Lord Chancellor's Department, the Home Office and the Scottish Office.

h *over*
Tony

TONY NEWTON

CONFIDENTIAL



*File to
c: Joseph*

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

12 March 1990

LORD JOSEPH AND TAX ALLOWANCES

I was grateful to you and to Ross Hutchison for your letters of 8 March.

The Prime Minister has now considered the position. While she recognises the Chief Secretary's concerns, she does not feel it is reasonable to seek to persuade Lord Joseph from publishing his personal views. She has therefore replied to his letter of 23 February in the terms attached.

I am copying this letter to Ross Hutchison (Department of Social Security).

PAUL GRAY

Miss Carys Evans,
Chief Secretary's Office,
HM Treasury.

CONFIDENTIAL

M



10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

12 March, 1990.

Dear Keith,

Thank you for your letter of 23 February concerning various aspects of family policy. You kindly asked whether I would have any objections to your publishing a pamphlet along the lines of your 17 November letter. I would be entirely content for you to do this later in the Spring, as long as you make clear - as I assume you intend to - that it represents purely your own personal views.

Warm regards.

Yours ever

Raymond

The Rt. Hon. The Lord Joseph, C.H.

*File MRK
cc C.J. HAT
D.H.H.*

h



Department of Employment
Caxton House, Tothill Street, London SW1H 9NF

Telephone 01-273 . . . 5802
Telex 915564 Fax 01-273 5821

Secretary of State

Prime Minister

CAS

12/3

The Rt Hon David Waddington QC MP
Home Secretary
Home Office
50 Queen Anne's Gate
LONDON
SW1H 9AT

12th March 1990

Dear David

I have seen your letter of 9 February to "H" Committee on your proposal to bring forward a Bill next session on more effective enforcement of maintenance orders in magistrates courts, and I have been considering the possible employment and training implications of such a Bill.

Demographic change will mean that we cannot afford to waste any part of our labour force. I am therefore interested in any proposal that will improve incentives for lone parents to work, particularly since many of them will have previous work experience. As the overall effect of the Bill would be improved incentives for lone parents I would certainly support it, but await the outcome of Tony Newton's review with interest.

As you will know, lone parents with dependent children do not have to be available for work in order to receive Income Support. In calculating Income Support, maintenance received is taken wholly into account, and so a lone parent who is content to remain on Income Support while bringing up her children will not necessarily press to receive maintenance. However, we aim to give a reasonable amount of help to lone parents who do want to return to work; the childcare allowance in Employment Training and the special treatment in social security in-work benefits are examples of what is already happening. The prospect of receiving maintenance will provide them with another incentive to work, since upon obtaining work lone parents will, in effect, be able to add maintenance to their gross wage. The incentive would be somewhat reduced for a person claiming Family Credit or Housing Benefit because maintenance affects assessment, but the existence





Secretary of State
for Employment

of the maintenance payments would lift the claimant nearer to the position where total income would enable the benefits to be dispensed with altogether.

I should point out there could be some disincentive for the person required to pay the maintenance, especially if he or she was in comparatively low-paid work. Such a person might decide that he or she would be better off unemployed, but I feel that this is more than balanced out by the improved incentives position otherwise.

As far as training is concerned, the proposal will make little difference to lone parents while they are actually undertaking training (because most of them will continue to receive Income Support), but the prospect of maintenance as an in-work income should encourage lone parents to enter a training course, with a view to eventually obtaining full-time work.

Finally, I would make the obvious point that an incentive is of little use if people are not aware of it, and we would need to ensure that unemployed lone parents and their advisers are fully aware of the potential advantages to them of securing proper and regular maintenance payments. This would seem to call for a well-focused publicity drive at the appropriate time.

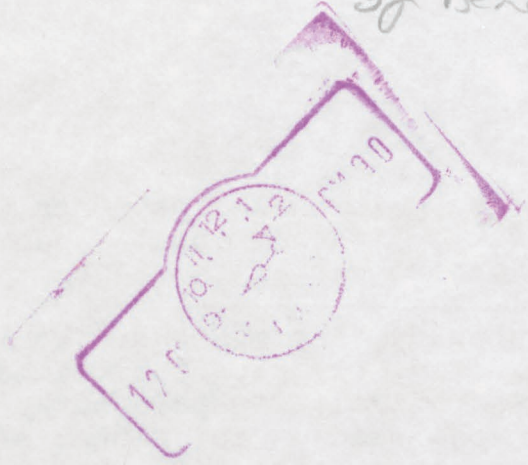
I am copying this letter to the Prime Minister, the members of H Committee and Sir Robin Butler.

J. C. W.

Michael

MICHAEL HOWARD

SOCIAL SERVICES: upholding
of Benefits



CONFIDENTIAL

PRIME MINISTER

CORRESPONDENCE FORM LORD JOSEPH

Lord Joseph has written to you welcoming your recent actions on fathers and maintenance and indicating he plans to publish a pamphlet soon on this and related issues. He gives you the opportunity to object if you wish.

This latest letter follows up his earlier letter of 17 November last (also attached) raising a number of issues about family policy, particularly a return to child tax allowances; you thanked him for that and said you would be "considering his comments and ideas seriously". We have provisionally planned for you to discuss the future of child benefit and child tax allowances with the Chancellor and Tony Newton after the Budget. I have therefore taken views of the Treasury and DSS as to whether, if Lord Joseph were shortly to publish a pamphlet on all this, it would present difficulties.

You will see from their letters (also attached) that Tony Newton is relatively relaxed, but Norman Lamont would prefer to dissuade Lord Joseph from publishing. My own view is that the Chief Secretary's reaction is a bit unreasonable, and that as long as you ask Lord Joseph to stress it is his personal work and to leave publication until "later this Spring", it will do no harm.

I attach a reply for you to send to Lord Joseph on this basis. Content to sign?

PLG

PAUL GRAY
9 MARCH 1990

I agree - he is of course
free to publish his personal views.
As always his will be a
constructive contribution.

a:\economic\child.mrm

CONFIDENTIAL



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

From the Secretary of State for Social Security

Paul Gray Esq
Private Secretary
10 Downing Street
LONDON

8th March 1990

Dear Paul,

ARG WITH CC

Thank you for sending Stuart Lord a copy of your letter of 2 March to John Gieve. I have consulted my Secretary of State about Lord Joseph's proposals to publish a pamphlet on the lines set out in his paper of 17 November 1989.

My Secretary of State regards it as inevitable in any case that there will be continuing debate on the question of Child Benefit and the wider issues of support for the family; it is bound, for example, to come up on the remaining stages of the Social Security Bill later this month.

Given that we are already in a much more positive position on lone parents and maintenance, in which Lord Joseph is also interested, my Secretary of State sees no reason to object to Lord Joseph publishing his thoughts on the terms you propose, and to a reasonably measured timescale.

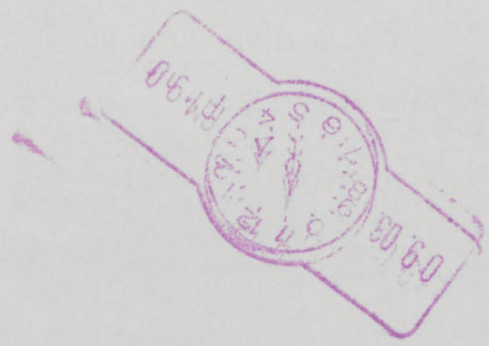
I am sending a copy of this letter to Duncan Sparkes in the Chancellor of the Exchequer's office.

Yours,

Ross

ROSS HUTCHISON
Private Secretary

SOCIAL SERVICES: Uprahon PT4



CONFIDENTIAL



Treasury Chambers, Parliament Street SW1P 3AG

Paul Gray Esq
Private Secretary
10 Downing Street
London
SW1

8 March 1990

Dear Paul

LORD JOSEPH AND TAX ALLOWANCES

flap

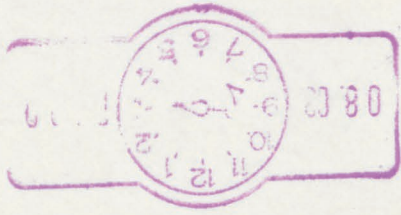
I am writing in response to your letter of 2 March 1990 to John Gieve. The Chief Secretary has been consulted in the Chancellor's absence.

2. The Chief Secretary feels that in view of the difficulties publication would cause the Government, we should seek to dissuade Lord Joseph from publishing. However if we fail to persuade him, it should be emphasised that the pamphlet has been produced on a purely personal basis.

3. I am copying this Stuart Lord (Department of Social Security).

*Yours sincerely
Aileen Campbell*

PP MISS C EVANS
Private Secretary



5th Anniversary: Upstate, SC

Postmark: Charleston, SC 29401

CONFIDENTIAL



Mr Pm
apu

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

5 March 1990

LONE PARENTS AND MAINTENANCE: ACCESS TO INLAND REVENUE DATA

The Prime Minister was grateful for a copy of your Secretary of State's letter to the Chief Secretary of 1 March. She notes the progress which is being made in this area and agrees with your Secretary of State that in the longer term it would be helpful to see whether information could be released from the Inland Revenue about incomes as well as simply addresses, as currently proposed.

I am copying this letter to Tim Sutton (Lord President's Office), Carys Evans (Chief Secretary's Office), Paul Stockton (Lord Chancellor's Department), Stephen Leach (Northern Ireland Office), Helen Shirley-Quirk (Department of Health), Stephen Williams (Welsh Office), Jim Gallagher (Scottish Office), Robert Canniff (Chancellor of the Duchy of Lancaster's Office) and Alan Maxwell (Lord Advocate's Office).

CAROLINE SLOCOCK

Ross Hutchison, Esq.,
Department of Social Security.

CONFIDENTIAL

ea

Absent fathers face tax clamp on maintenance

by David Hughes
Chief Political
Correspondent

A SPECIAL Inland Revenue tax coding for fathers who abandon their families is being considered by ministers as part of a review of the law on maintenance payments.

The coding would allow payments to be deducted at source for the upkeep of lone mothers and their children.

The controversial move to use the tax system to trace absent fathers and recover money from them is one of the options being studied by Tony Newton, the social security secretary.

Newton has won the backing of Margaret Thatcher to push through reforms in an attempt to cut the £1 billion-a-year welfare bill for lone-parent families by maximising the recovery of maintenance.

Thatcher is determined to end what she sees as widespread abuse of the system which leaves the state having to meet responsibilities she says lie with fathers.

In a recent keynote speech on the subject to the National Children's Home, she said: "No father should be able to escape from his responsibility."

Thatcher has approved a two-stage approach to the problem. Newton will shortly announce moves to apply existing powers more vigorously to increase the amount of maintenance paid. Greater use will be made of powers to deduct maintenance payments from welfare benefits paid to absent fathers.

Newton has also ordered a detailed investigation of how the present system operates, how the courts work and how much maintenance is recovered.

Later this year Newton will bring forward a legislative package, prepared in conjunction with the Lord Chancellor's department, aimed at overhauling the law relating to maintenance and setting up court procedures to make its collection more efficient.

The use of tax codes to guarantee regular payments to mothers and children is emerging as a favoured contender despite the Inland Revenue's traditional reluctance to allow its data to be used for anything other than tax collection purposes.

Whitehall insiders say that, even with computerisation of the tax system, a "maintenance code" for absent fathers could still be difficult to administer.

But social security officials believe it could be the most effective way of keeping track of a father who might flit from job to job in an attempt to evade family responsibilities.

Newton plans to travel to Wisconsin in the United States over Easter to see how the system there operates. The state has a high success rate in

recovering maintenance from absent fathers, employing sweeping powers to investigate computer data of all kinds and using special courts and magistrates who can process cases within days.

The drive to reform the system has been prompted by growing concern in Whitehall about the cost of welfare support for lone-parent families.

The number of single-parent families has risen sharply over the past decade. Nearly 700,000 single mothers receive benefit, and three-quarters of them receive no maintenance payments. Nearly 300,000 lone parents are unmarried mothers.

The Labour party has said that maintenance payments recovered from absent fathers should be used to improve overall benefits for single parents and their children, and not as a means of cutting the social security budget.

However, Whitehall officials concede that a central aim is to cut the growing cost to the taxpayer of single-parent families and to make it clear to absent fathers that they cannot escape their financial responsibilities.

The success of the reform will depend on the co-operation of the 290,000 unmarried mothers in Britain, who are the largest category of single parents claiming income support. They are under no obligation to name the fathers of their children and there are no plans to change this.



W. B. P.

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

2 March 1990

The Chancellor and the Secretary of State for Social Security have apparently already been sent copies of the enclosed letter of 23 February from Lord Joseph. This follows up earlier correspondence he had with the Prime Minister in November; I also wrote to you on 27 November about the follow-up action the Prime Minister wished to pursue.

I am minded to suggest to the Prime Minister that there is no reason for her to resist Lord Joseph's suggestion that he should publish a pamphlet covering the issues in the paper attached to his 17 November letter, as long as it is made clear this is being done entirely in his personal capacity. But I should be grateful if you could take the Chancellor's mind on this and let me know whether he would prefer any other course of action.

I am sending a copy of this letter to Stuart Lord (Department of Social Security), with the same request that he should consult his Secretary of State. It would be helpful to have responses by Thursday 8 March, please.

PAUL GRAY

John Gieve, Esq.,
H.M. Treasury.

Ed

2 March 1990

LONE PARENTS: ACCESS TO INLAND REVENUE DATA

There are two separate issues here:

- access to taxpayers' addresses: this would help trace absent fathers;
- access to information on taxpayers' incomes: this would assist the assessment of maintenance levels to be paid under an administrative formula.

Tony Newton and Norman Lamont are agreed on the issue of addresses. Norman Lamont foresees however, a difficulty with the information on incomes. Tony Newton recognises this, and is not pressing the issue at present. But he is keen not to rule out options at this stage.

Comment

Ministers have expressed support for the idea of assessment via an administrative formula and collection through a child support agency within the Inland Revenue. It would clearly enhance the effectiveness of such a system if the agency had access to data on incomes. This is the situation in the case of the Australian model. Tony Newton is right, therefore, in not wanting to close off options at this stage.

Recommendation

Support Tony Newton's desire to examine what part information about incomes might play in a new system for awarding and collecting maintenance.

PP D.A. Lewis
ANDREW DUNLOP



DEPARTMENT OF SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

From the Secretary of State for Social Security

Prime Minister ①

CONFIDENTIAL

The Rt Hon Norman Lamont MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
London
SW1P 3AG

It was agreed at your meeting that Inland Revenue data on addresses should be used. Work on this is progressing.

Mr Newton is flagging up the need to look in the longer term at the release of information 1st March 1990 about incomes.

Andrew Dunlop suggests it would be helpful if you were to support his wish to examine this.

Agree?

CAS 2/3 Yes no

Norman

LONE PARENTS AND MAINTENANCE: ACCESS TO INLAND REVENUE DATA

Thank you for your letter of 23 February. I am grateful for your confirmation that access to taxpayers' addresses presents no problems and for your agreement to early work.

However, given the importance attached to our doing as much as we can to trace absent parents who are not meeting their obligations to their families - an importance underlined by the Prime Minister's meeting on 20 February - I would not wish to close down any options at this stage. I am sure it is right to consider what contribution can be made by any data source and on what terms it might be made available.

Arrangements for a quick pilot study on addresses are in hand. Your officials and mine will be comparing the information held by DSS and IR records on employer and employee addresses. Obviously, if the results showed that the information provided from your records is never any better than ours, then we would need to think further; but if there is some prospect of gain then clearly we should proceed.

I recognise and note what you say about access to Revenue information about incomes causing you more difficulty, and so we agreed that it would not be pursued for the present. But because of the vital importance of effective reform of maintenance I know you appreciate that we should examine what part such information could play in relation, for example, to the self-employed when we work up proposals for a new system for awarding and collecting maintenance.

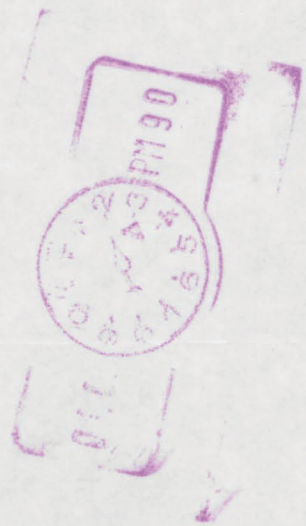
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E.R.

I am a little surprised at the suggestion that more specific legislative power is required. Our own understanding was that existing powers were sufficient. Is any suggestion of further legislative provision perhaps more for presentational rather than strictly legal reasons? I wonder too if in fact this is as significant a change as you suggest; it seems merely an extension of what already happens rather than a major change in practice. But all this will, of course, be clearer once we have established precisely what your data can provide and I suggest that our officials should sort out details and then report back on the implications.

I am copying this letter to the Prime Minister, Sir Geoffrey Howe, James MacKay, Peter Brooke, Kenneth Clarke, Peter Walker, Malcolm Rifkind, Kenneth Baker, David Waddington and Peter Fraser.


TONY NEWTON





226/2

The Rt Hon. Mrs Margaret Thatcher MP 23 February 1990
The Prime Minister
10 Downing Street
SW1A 2AA

Dear Margaret. *As*

As I explained in the paper attached to my letter to you of November 17th 1989, I think that the cumulative pressures on parent/parents with dependent children is now so large that some such action as I proposed is needed - and I was grateful for your reply of November 27th.

I was also glad to read your own emphasis, in a recent lecture, on part of my paper - that the fathers of children of unmarried-mother-alone-households should where possible be made to pay maintenance.

Since I believe that the need to recognise the problems outlined in my paper is urgent well before the run-up to an election and to pre-empt an Opposition emphasis on the family, I would like to publish soon a pamphlet on some such lines as the paper I sent you.

Have you any objection please?

I am copying to John Major and to Tony Newton.

Yours as ever,

Kevin

SOCIAL SERVICES



CONFIDENTIAL

11

CONFIDENTIAL

Prime Minister² *ajp*



CAS
23/2

ms

Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Anthony Newton OBE MP
Secretary of State for Social Security
Department of Social Security
Richmond House
79 Whitehall
London
SW1

23 February 1990

Dear Secretary of State

LONE PARENTS AND MAINTENANCE: ACCESS TO INLAND REVENUE DATA

We spoke last night about the proposal to give the DSS access to Inland Revenue information needed to trace fathers, which I have discussed with the Chairman of the Inland Revenue.

2. The Chancellor and I agree we should make this change, assuming it will actually help with the problem. At present the Inland Revenue shares information which DSS need to facilitate the recording of Class 1 NICs for the purposes of benefit entitlement. Since 1986, the Revenue has also provided information enabling DSS to check that self employed people are paying Class 2 NICs. However, although the legislation allows tax information to be passed to DSS "in connection with the operation of any of the benefit Acts", the Revenue does not provide the DSS with any information relating to benefit fraud. Treasury Ministers have also resisted pressure to let the Revenue give information about taxpayers to other departments, such as DTI for the Serious Fraud Office, the Home Office for immigration purposes, or to the police except in respect of murder and treason. We have made specific provision in the Drugs Act and the Prevention of Terrorism Act to enable Revenue information to be passed on under Court Order and there are of course, exchanges with Customs. The guiding principle has been that the Revenue does not provide information about taxpayers to any other Government agency except in the specific cases I have mentioned. The reason for this is that the tax system depends on voluntary compliance. The Revenue fears that unless taxpayers believe that the information they give them will be protected, the co-operation and openness on which tax collection depends will be at risk.

CONFIDENTIAL

3. You told me that you are simply seeking taxpayers' addresses to help trace fathers. You thought that Revenue data could help particularly to trace fathers who are members of the Armed Forces, self employed or overseas. I do not believe that for the Revenue to provide this specific information would amount to a major breach of taxpayer confidentiality.

4. You confirmed that you are not seeking access to Revenue information about taxpayer incomes - this would be a more significant step which I believe would cause serious difficulty.

5. I mentioned to you that Revenue Officials have some doubts as to whether their records would in fact give DSS much more up to date addresses than they already have. Because the Revenue PAYE system is largely based on dealing with employers, their records of taxpayers' private addresses are often out of date.

6. You agreed that we should extend DSS access only if the benefit would be significant. We have asked Revenue officials to consult DSS and report to us within two weeks on the contents of the IR/DSS data bases so that we can ensure that this would in practice improve our ability to trace fathers.

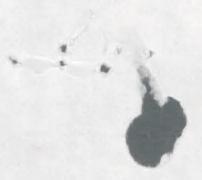
7. Because this would be a significant change in practice by the Inland Revenue it would need to be preceded by an announcement in the House, and there is at least a case for considering whether there should be more specific legislative cover.

8. I am copying this letter to the Prime Minister, Geoffrey Howe, James Mackay, Peter Brooke, Kenneth Clarke, Peter Walker, Malcolm Rifkind, Kenneth Baker, David Waddington and Peter Fraser.

Yours sincerely
Carys Evans

NORMAN LAMONT

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



CONFIDENTIAL

CEP



Prime Minister ²

QUEEN ANNE'S GATE LONDON SW1H 9AT

There are certainly presentational advantages in it being a Government Bill.

21 February 1990

Geoffrey

MAINTENANCE ENFORCEMENT BILL

In the light of the outcome of the Prime Minister's meeting on lone parents on 20 February I should be grateful if you would look again at the case for including the short Bill on maintenance enforcement (described in my letter of 9 February) in next Session's legislative programme.

We are all agreed that it is essential that fathers are made to provide adequately for their children, and my Bill will help to ensure that fathers required to pay maintenance do not allow arrears to build up. It will help to avoid the consequence of arrears, namely that the mothers concerned may have to fall back on state benefit or go back to court for enforcement action. As John Major has noted, the Bill would go hand in hand with the measures which Tony Newton has identified and which the Prime Minister has endorsed.

It would be possible to take such a Bill forward as a Private Member's handout, and indeed this is how it was first conceived. But as part of our initiative on lone parent families I think it would be better as a Government Bill. In either case I should be grateful to know as soon as possible that you are content for us to instruct Parliamentary Counsel.

I am copying this letter to the Prime Minister, James Mackay, John Major, Kenneth Baker, Tony Newton, Norman Lamont, Peter Fraser and Sir Robin Butler.

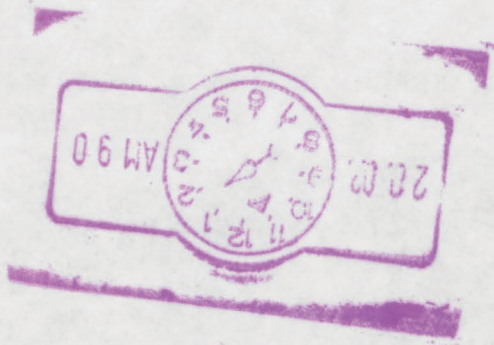
James Mackay

mt

The Rt Hon Sir Geoffrey Howe QC MP
Lord President of the Council
Privy Council Office
WHITEHALL SW1A 2AT

CONFIDENTIAL

SOCIAL SERVICES: Agency of Benefit PPS



SUBJECT TO MASTER
MEETING RECORD.

CONFIDENTIAL



File PA

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

21 February 1990

The Prime Minister held a meeting yesterday to discuss the issue of lone parent families. Those present were the Lord President of the Council, the Lord Chancellor, the Home Secretary, the Chancellor of the Duchy of Lancaster, the Secretaries of State for Scotland and for Social Security, the Chief Secretary to the Treasury, the Lord Advocate, Sir Robin Butler, Mrs Bowtell (Department of Social Security), Mr Grant (Home Office), Mr Harris (Lord Chancellor's Department), Mr Wilson and Mrs Bailey (Cabinet Office) and Mr Dunlop (No 10 Policy Unit). The meeting had before it a minute by your Secretary of State dated 16 February 1990.

Your Secretary of State said that he was anxious for the work on lone parent families to proceed quickly. He was currently taking action on three fronts. First, he had taken steps to improve the collection of maintenance within the present framework: the absent parent liability to maintain had been extended to children aged 16 to 18, saving an estimated £2.5 million; more encouragement had been given to mothers to name absent fathers; maintenance collected had risen from £155 million in 1988/89 to an anticipated £180 million in 1989/90; and, from April, the amount of net earnings a liable relative could keep over income support level was to be reduced from 25% to 15%, giving a potential saving of £34 million.

He also proposed to make an announcement within the next few weeks, probably in the context of tabling amendments to the Social Security Bill, of six further measures: new powers to enable the recovery of all the benefit (not just an allowance for the child) where a mother is unmarried or divorced; new powers for court orders for maintenance taken up by the DSS to be made transferable to the lone parent; further pressure on lone parents to name the father; the use of powers already enacted for DSS access to Inland Revenue data, to help trace absent parents; the introduction of new mechanisms for debt recovery, as part of the follow up to the recent efficiency scrutiny on the management of departmental debt; and higher targets for the recovery of maintenance by DSS officers in 1990/91.

km

Together these proposals would significantly improve the enforcement arrangements, though they would not remove the basic difficulties inherent in the present system, which was inconsistent in some respects with family law and which contained a number of disincentives to lone parents and absent fathers to accept their responsibilities.

For the future, a new system needed to be devised which simplified and speeded up the basis on which maintenance payments were assessed, and improved the collection and enforcement of maintenance payments. Significant public expenditure savings in relation to income support could be made. A survey of courts and DSS offices had been set in hand to improve the factual basis for policy making in this area. At the same time, his department was working with the Lord Chancellor's Department and the Home Office to devise options for more radical change. His objective was to bring forward policy proposals in July, with a view to making final decisions, following consultation, in the Autumn.

In discussion, the following main points were made:

- a. Absent fathers must not be allowed to avoid their responsibility for their children or for a mother charged with their care. It was vital therefore to improve arrangements for the assessment and collection of maintenance. Changes in social security law in the early 1980s had been poorly focussed in this respect. As a result an attitude had grown up, which needed to be reversed, that the moral responsibility to children was no longer important. Against this background the steps already taken to improve the collection of maintenance within the present framework were a welcome move in the right direction. It was imperative to keep up the momentum.
- b. Under the present social security arrangements, the DSS could recover all the benefit from the liable relative only where a mother was separated from the father. In cases where the mother was unmarried or divorced, only benefit in respect of the child could be recovered. The proposal to extend the DSS's powers to encompass unmarried and divorced mothers, though it would bring relatively small public expenditure savings, would be an important means of reinforcing the principle that a father was always responsible for the full costs of maintaining a child. The change would make social security law more consistent with family law which permitted the courts to take account of the costs of child care in assessing liability for maintenance.
- c. The proposed new powers for court orders taken out by the DSS to be made transferable to a lone parent would remove the present deterrent to moving off benefit through uncertainty about the maintenance position. It was desirable for maintenance payments transferred in this way to go direct to the lone mother, rather than via the DSS, in order to remove the present disincentive against paid work, which in practice led to a reduction in benefit. It was also desirable that the DSS should take the power to pursue in the Courts the enforcement of the claimant's own order.

Lone parents are sometimes discouraged by the complexity and difficulty of the legal process; and they may not always have the incentive themselves to pursue their case when they are receiving benefit. The new powers would be welcome and it was agreed that they should be taken although they could bring a significant increase in the number of cases coming before the courts. Any reduction in DSS costs might be accompanied by increases in expenditure by Home Office and LCD. The possibility of transferring some or all of the savings would need to be explored in the public expenditure survey.

d. The willingness of a lone parent to name the father of a child was a key factor. Any further pressure that could be achieved by revisions to DSS office instructions should be put in hand at once. In the short term, the important thing was to create a change in the expectations of lone parents. For the future, it was important that a claimant should name the father as a condition of receiving benefit, although it would clearly be necessary to provide for exceptional cases, for example of rape or incest, or cases where the identity of the father was genuinely not known. Further work should accordingly be put in hand. At the same time consideration should be given to the introduction of incentives to encourage the payment of maintenance (perhaps for instance through a disregard on maintenance payments).

e. Problems might arise if an alleged father subsequently denied paternity though this could now be established through DNA testing. The issue of parenthood could also be complicated where AID techniques had been used to establish a pregnancy, particularly for a single mother. A recent debate in the House of Lords in the context of the Human Fertilisation and Embryology Bill had highlighted the problems of allowing single mothers access to AID, and had raised the issue of the accuracy of birth certificates in this respect. In practice, however, a birth certificate recorded the legal position of a child, rather than its true parenthood. This seemed to undermine the rights of a child, who might have no means of knowing its natural father. On the other hand, if a sperm donor was required to consent to his identity being revealed to a child conceived through AID, in all likelihood donors would refuse to come forward. Any proposal to amend the Bill in the Commons to prevent single women benefiting from AID should be given serious consideration.

f. The proposal to activate existing powers for DSS access to Inland Revenue data was essential. Any difficulties needed to be identified and resolved without further delay. Inland Revenue records were often more up to date than National Insurance data. Any additional information might also be useful to women wishing to enforce a court order. The proposed higher targets for the recovery of maintenance by DSS offices were also agreed to be worthwhile. Officials should pursue these proposals as a matter of urgency. Similarly, work on the action plan following the recent efficiency scrutiny on the management of departmental debt should be completed as soon as possible, without further

reference back. It would be useful if the Efficiency Unit of the Cabinet Office could check up on progress in about six months' time. On the question of additional resources in paragraph 5 (vi), the Treasury wished to understand the figuring although they were sympathetic to the case. It had to be recognised that the savings were dependent on staff being made available.

g. For the longer term, particular consideration was being given to whether, as in other countries, a formula might be used to assess maintenance payments, either through the courts or administratively. It was agreed that an administrative formula, with a right of appeal to the courts, would probably be the best option, as it would reduce the burden placed on the courts. The object would be to see that the maintenance awarded properly reflected the situation of both parties and to speed up assessment. Identifying an appropriate formula would not be straightforward, because of the need to take account of a wide range of factors not always covered in existing systems abroad, such as an element for child care, and arrangements to ensure that the mother retained the use of the family home. Ideally, however, a formula would enable the anomalies between family law and social security law to be removed.

h. The options for improving the collection of maintenance included deductions from earnings, or changes in the tax system. Collection through the tax system would require a reversal of Government policy, which had previously resisted an extension of Inland Revenue powers into the debt collection field. The attraction of a separate child support agency on the Australian model was that it removed the collection function from the DSS which was essentially a paying-out agency. It was agreed that urgent consideration should be given to the possibilities including the creation of a new unit for collecting maintenance within the Inland Revenue. Progress should be made as quickly as possible. It was conceivable that changes might be made in the Finance Act next year.

i. The Home Secretary had proposed a short Bill in the 1990/91 Session to improve the enforcement of maintenance orders by magistrates courts. His proposals would allow an attachment of earnings to be made at the time of a court order, and for the self employed to be required to pay maintenance by banker's order; these changes could generate up to £30 million in extra maintenance each year with commensurate savings and benefits. The pressures on the legislative programme were recognised, but consideration nonetheless needed to be given to whether a place might be found for this short and uncontroversial Bill. An alternative might be to offer a handout Bill to a private member.

j. In general, it was important to speed up the work being done to develop policy in this area. In particular, the survey of courts and DSS offices, on which final policy

decisions depended, should be completed in time for those decisions to be finalised by the summer. It would be desirable to include any necessary legislative changes in the 1990/91 legislative programme, if at all possible.

The Prime Minister, summing up the discussion, said that it was vital to improve the arrangements for recovering maintenance from absent fathers, who must not be allowed to avoid their responsibilities. Although there were significant savings in public expenditure to be gained from changes in the assessment and collection of maintenance liability, the primary objective of reform was the moral one of re-establishing traditional family values and the fundamental structure of family life. The action taken within the present framework was a welcome start in changing public expectations. The group endorsed the six measures set out in paragraph 5 of the Secretary of State for Social Security's minute of 16 February and wished them to be pushed forward with all due speed. The Prime Minister stressed that the details of the extra resources mentioned in subparagraph (vi) should be sorted out with the Treasury urgently: the savings would only be made if the staff were available.

For the future, it was crucial to keep up the momentum. Reforms in this area could have more effect on the quality of life than many of the Government's economic measures. The Group had agreed on a number of areas where further proposals should be worked up as a matter of high priority. There was no doubt that lone parents should be required to name the father as a condition of receiving benefit, subject to necessary exceptions. The possibility of introducing some incentive for the payment of maintenance should be considered. It was highly desirable to find an effective formula for the assessment of maintenance payments. And every effort should be made to improve the collection of maintenance. Your Secretary of State would consider the possibilities for speeding up the survey of courts and DSS offices on which future policy decisions are to be based. The aim should be to complete the inter-departmental work on the assessment and collection of maintenance in time to finalise policy proposals by the summer, so that proposals for legislation could, subject to other pressures on the programme, be brought forward in the 1990/91 session.

I am sending copies of this letter to the Private Secretaries to the Ministers at the meeting, to the Secretary of State for Health, and to the others present.

CAROLINE SLOCOCK

Stuart Lord, Esq.,
Department of Social Security.

PRIME MINISTER

P 03636

LONE PARENT FAMILIES

Minute by the Secretary of State for Social Services, 16
February 1990

DECISIONS

This meeting provides an opportunity to review progress with work on lone-parent families, and to ensure that there is a clear timetable and a programme of announcements to maintain impetus.

2. Mr Newton sets out three lines of action:

i. steps to improve the collection of maintenance from "liable relatives" within the present framework. He proposes to announce within the next few weeks further measures designed to increase the receipt of maintenance and the identification of absent parents. You will wish to check that you are content with his proposals.

ii. a survey of courts and DSS offices to improve the factual basis for policy making. Preliminary results are expected in April/May, final results in June/July. You may want to consider whether this timetable can be accelerated.

iii. inter-departmental work on reforming the assessment and collection of maintenance. This will be finalised in July. An announcement at that time could include Mr Waddington's suggestions for a Bill to improve the enforcement of Maintenance Orders in Magistrates Courts. You may wish to check the timetable and consider whether there is any policy guidance you wish to give at this stage.

Overall, you will wish to decide whether the aim should be an initial announcement by Mr Newton in April, a further announcement in the light of the survey and inter-departmental work in July, and final decisions (following consultations) in the autumn.

BACKGROUND

3. The number of lone-parent families has doubled since 1979. 77% of lone mothers receive no maintenance from the fathers. Some 70% of lone-parent families claim income support. Total expenditure has roughly doubled in real terms since 1978-79 to over £3.5 billion this year. Further growth up to £250 million p.a. on income support and one-parent benefit is projected.

4. Your meeting on 19 July last year considered proposals by Mr Moore for radical changes to the system of assessing maintenance and enforcing its payment. You announced this work in your George Thomas Society Lecture on 17 January.

5. So far, the following action has been taken to increase the maintenance collected within the present system:

i. the absent parents' liability to maintain has been extended to children aged 16-18, saving an estimated £2.5 million;

ii. more encouragement has been given to mothers to name the absent father;

iii. maintenance collected has risen from £155 million in 1988/89 to an anticipated £180 million in 1989/90;

iv. from April, the amount of net earnings a liable relative can keep over income support level will be reduced from 25% to 15%, at a potential saving of £34 million.

6. An inter-departmental group is now looking at the options for more radical change. One problem is the lack of information about, for example, the amount of maintenance collected by the Courts, the cost to the Courts of collecting it, and the ability of fathers to pay more than they are paying now. The survey of Courts and DSS offices, recently announced by Mr Newton, is intended to provide the information needed for policy decisions.

MAIN ISSUES

Early announcement

7. Mr Newton proposes to announce within the next few weeks six additional measures within the present framework:

i. new powers to enable the recovery of all the benefit from the liable relative where the mother is unmarried or divorced. At present a liable relative's responsibility under social security law is only for the child in these circumstances. You will wish to decide whether this change should be made in the Social Security Bill.

ii. new powers for Court Orders for maintenance taken out by the DSS to be made transferable to the lone parent. The lone parent would then not be deterred from moving off benefit through uncertainty about her maintenance position. You will wish to decide whether this change should also be made in the Social Security Bill.

iii. further pressure on lone parents to name the father. DSS offices would be instructed to proceed in the expectation that the name would be given, and to record and monitor the reasons given for refusal. You may wish to discuss the case for making naming the father a condition of receiving benefit.

iv. to activate the use of powers which already exist for DSS access to Inland Revenue data to help trace absent

parents. You will wish to check that the Chief Secretary is content.

v. to pursue new mechanisms for debt recovery as part of the follow-up to the recent efficiency scrutiny on the management of departmental debt. This may include setting up a Debt Management Unit to centralise activity and expertise. You may wish to endorse this initiative.

vi. higher targets for the recovery of maintenance by DSS offices in 1990-91, though this is partly dependent on Treasury agreement to the use of part of the savings produced to pay for extra staff. Mr Newton believes that an extra £40 million (gross) could be raised for £5-£10 million of staff costs. You will wish to ask whether the Chief Secretary is content for Mr Newton to proceed.

8. Mr Newton estimates that these measures together would allow him to set a target of £260 million to be recovered from liable relatives in 1990-91, an increase of two-thirds over the amount collected in the last financial year. You will wish to decide whether he should announce these measures, and do so in the context of amendments to the Social Security Bill.

Further changes

9. Mr Newton indicates that work on the options for more radical change is proceeding in parallel with a survey of Courts and DSS offices. Options and questions being examined inter-departmentally include:

i. simplifying and speeding up the basis on which maintenance payments are assessed. Can a formula be used? Can the task be done administratively instead of by the courts?

ii. improving the collection and enforcement of

maintenance. Can this be done by deduction from earnings or through the tax system? Should a separate agency be set up to collect payments (as in the USA and Australia)? Should some incentive to fathers to pay be built into the system?

These questions could affect family as well as social security law, the courts, social security offices and the Inland Revenue. You may wish to consider whether there is any guidance which you wish to give to this work at this stage.

10 Mr Newton indicates that the work on more radical options cannot sensibly be finalised until the results of the survey of Courts and DSS offices are available. An interim report is expected in April/May, final results in June/July. Mr Newton has asked Mrs Shephard to supervise the work personally. You may wish to discuss the timetable and the possibility of speeding up the survey results.

Seminar

11. Mr Newton's minute of 6 February said that he proposed to sponsor a seminar on maintenance as a means of tapping the expertise of people involved in this area. The seminar might also help to maintain the momentum and the general welcome for Government action on this area. You may wish to ask whether Mr Newton still intends to proceed with it.

Enforcement of maintenance orders

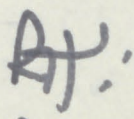
12. In his letter of 9 February to the Lord President, the Home Secretary proposed a short Bill next session to improve the enforcement of maintenance orders by Magistrates Courts. He estimated that his proposals could generate up to £13 million in extra maintenance each year, with commensurate savings in benefit. The Lord President will be conscious of the other pressures on the legislative programme. But the Bill should be short and uncontroversial. You may wish to ask whether a place can be found for it in next session's programme.

Timetable

13. Mr Newton's minute of 6 February mentioned the need for consultation on proposals for major reform. You may wish to ask what timetable he has in mind. The papers seem to point to a statement of Government proposals for a new system before the summer recess, followed by the publication of a consultation document, with final decisions in the autumn. There is also the question of the timing of any major legislation.

HANDLING

14. You will wish to invite MR NEWTON to speak to his minute of 16 February. The meeting could then work through the proposals in paragraphs 5 onwards of the minute. The CHIEF SECRETARY will want to increase the pace of the exercise, but may be concerned about the expenditure implications of some of Mr Newton's immediate measures. The LORD CHANCELLOR, the HOME SECRETARY and the LORD ADVOCATE may wish to comment on the implications of radical change for the Courts. The LORD PRESIDENT will want to know about the legislative consequences of Mr Newton's and Mr Waddington's proposals.



R T J WILSON
Cabinet Office
19 February 1990

19 February 1990

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LONE PARENTS: RECOVERY OF MAINTENANCE

John Moore first put work in hand well over a year ago. This issue already has, therefore, a long history. You were rightly concerned at the pace at which work was proceeding.

Tony Newton's note sets out what work is proceeding. The note is encouraging on two points:

- as a result of your pressure there has been some improvement in the timetable;
- the DSS are pressing ahead with interim measures to tighten up the existing system.

This is fine as far as it goes. But we recommend that tomorrow's meeting is used to:

- get a much firmer timetable for legislation on the more fundamental changes;
- get agreement on what the broad lines of the new system should be (this will help to focus more effectively the work of the official Working Group and prevent them pursuing red herrings).

Action with present framework

Tony Newton's note lists a number of administrative changes (Para 5). An explanation of what these changes entail is at the Annex.

These are all useful changes to tighten up the existing system.

But:

- (1) You gave broad agreement to changes of this sort last Summer;
- (2) If the DSS can increase maintenance payments by two-thirds (as the note estimates), then all well and good. But these savings are targets: they have yet to be achieved. These useful, but relatively minor, administrative changes must not be allowed to divert attention from more radical reform.
- (3) More radical reform has wider objectives than merely the total sums recovered. Improving the system for recovering maintenance from liable relatives is also important for moral reasons, for its deterrent effect and for increasing the numbers of people actually paying.

Proposals for wider reform

There are some real points of substance to decide: but not many. There is also more work to be done: but not as much as Tony Newton and officials argue. The process can and should be faster.

We believe the broad lines of a new system of maintenance are clear. And there is a good deal of agreement on what they are:

1. A simple numerical formula relating to all maintenance awards, being a percentage of the liable relative's (ie, in practice, the father's) income assessed for each child on a fixed scale; perhaps, as in the USA, applied through guidelines challengeable in the courts on specific limited grounds eg the needs of dependents of a second marriage.

2. Enforcement through the tax system, probably by a separate (and fully costed) special unit based in the Inland Revenue. Attachment of social security benefits must also - as Frank Field has suggested - be possible and applied: this, incidentally, deals with most of the "why work" implications of greater maintenance enforcement.
3. Naming the absent parent must be a clear condition of benefit payments to lone parents: DNA fingerprinting, bloodtests etc should be applied.

In our view the issues of substance to be decided are:

- what precise formula? (there is plenty of international evidence to provide a range of possibilities)
- what are the precise costs and duties of the unit or agency for making maintenance enforcement? For example, how would enforcement be achieved if an employer refused to co-operate with a procedure for deducting maintenance direct from pay-packets?
- how is the income of the "liable relative" to be assessed: in practice, how are assets to be taken into account?
- are there to be any "carrots" as well as the "stick" of naming the absent parent (see 3 above) eg disregards of benefits for either the mother or the maintenance paying father.

The next steps should be:

- an illustrative paper on effects of formulae;
- urgent discussions, principally between the Inland Revenue and DSS, on the maintenance unit's size and functions;

- a quick (ie not seven months) enquiry to show what practice the courts currently pursue in awarding maintenance: we do not want a formula which leads to lower maintenance awards than is the case now.

By contrast, issues of no substance whatsoever are:

- the proposed full survey of the present system (to take seven months). This is unnecessary: we know the system is not working.
- the relationship with the proposed Law Commission reforms of divorce law, conciliation etc: this is irrelevant: (moreover, Brian Griffiths and Robin Harris do not believe that the Law Commission's approach is the right one).
- considerations of "equity" between various concerned parties. This is a quagmire we can surely skirt: let the courts sort it out, if the liable relative wants to challenge application of the formula. In particular, the point in Tony Newton's note (Para 6), about how much absent father can actually afford, is a red herring. The DSS, as Para 3 of the note makes clear, already has a rough formula for assessing how much they can afford.

Timetable

DSS were originally planning to put proposals to Ministers in the early Autumn. As a result of your pressure, Tony Newton intends to bring forward proposals in July. This is an improvement, but the timetable thereafter remains unclear. We have been told that the earliest legislation could be contemplated is the 1991/92 Session.

You will want to consider whether legislation any earlier - eg in the next session - is possible. Two points seem important here:

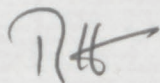
- it does not seem to us that the consultation period for any proposals need be long. While some specific aspects of the new maintenance system will be controversial there is already widespread public support for the fundamental overhaul of the system signalled in your George Thomas lecture;
- all the "i's" may not need to be dotted before legislation can proceed. For example, legislation would surely need to lay down that maintenance would be assessed by administrative formula. But would it need to specify the precise formula? This could be introduced by an Order laid before Parliament.

Recommendations

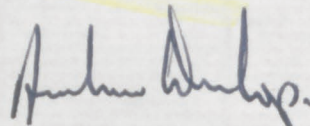
1. Agree a firm timetable for legislation. We should aim for legislation in the next session.

2. Agree that the new maintenance system should have the following features:

- the naming of an absent father should be made a condition of benefit;
- assessment of maintenance should be by means of an administrative formula, with a right of appeal to the courts;
- collection should be through the tax system.



ROBIN HARRIS



ANDREW DUNLOP

ADMINISTRATIVE CHANGES PROPOSEDPara 5(i)

The law requires spouses to maintain each other. The Courts may also make maintenance orders for divorced women.

There is no provision for unmarried couples to maintain each other, although the children of such a union must be provided for. In these circumstances, therefore, the DSS is able to recover from the father all the benefit that can be attributable to the children, but not the mother. This does not seem right. The mother - as custodial parent, caring for the children - is bearing a direct cost which the father escapes. For example, if the mother was not looking after the children she could be out at work. The DSS propose, therefore, to be able to recover all benefit from the father.

Para 5(ii)

At present if a liable relative is defaulting in payment of maintenance, DSS can apply for a Court Order to recover this money. The money recovered does not go direct to the lone parent, but into DSS coffers. DSS will then use the money to finance benefit payments to the lone parent. The DSS proposal is that money recovered in this way should be paid direct to the lone parents. Her benefit would then be adjusted accordingly. This would improve the transparency of the maintenance system for the lone parent, thus making it easier for her to calculate how much better off she could be in work.

Para 5(iii)

This is largely self-explanatory. DSS proposed to tighten up the administrative arrangements for asking lone mothers to name the absent fathers. You supported this last Summer when John Moore first put proposals to you. It is still some way short of making the naming of a father a condition of benefit.

Para 5(iv)

Again this is self explanatory. DSS already have access to Inland Revenue data for use when employees or employers default on their National Insurance Contributions.

Para 5(v)

This is pretty small beer. At present the DSS has to recover debts for a variety of reasons: overpayment of benefit (either due to fraud or an unnotified change in circumstances), default on National Insurance Contributions or failure to pay maintenance. The expertise on recovery is dispersed throughout the Department. One suggestion is to centralise this expertise.

Para 5(vi)

Again self-explanatory. Essentially a spending to save measure.

PRIME MINISTER

AD HOC MEETING ON LONE PARENTS

You asked to hold a meeting of Ministers and Departmental officials because you were unhappy with how slowly work has been progressing on improving the system for collecting maintenance. Papers attached are:

- Flag A An excellent joint note by Andrew Dunlop and Robin Harris;
- Flag B A handling brief from Richard Wilson;
- Flag C A note of 16 February from Mr Newton setting out short-term proposals and a (faster) timetable for action;
- Flag D Note of 6 February from Mr Newton, somewhat overtaken by Flag C, but giving detail of Departments' proposals for long-term proposals;
- Flag E Note of 9 February from the Home Secretary setting out proposals for legislation in the next session to improve the courts' powers to enforce maintenance orders and simplifying procedures for attachment of earnings.

Mr Newton's latest minute sets out some interim proposals to improve the operation of the existing system. He suggests that he might make an announcement in the next few weeks, perhaps proposing amendments to the Social Security Bill, about these short-term proposals. Andrew Dunlop and Robin Harris broadly welcome these proposals. The annex to their note also explains their significance (Mr Newton's note is not I find particularly clear).

Although you will wish to explore - and endorse - these short-term proposals, Andrew and Robin rightly suggest that you can use the

meeting most usefully to agree the broad shape of a longer-term radical reform of the system; and a timetable for action. The Policy Unit suggest that this should be:

- that the naming of an absent father should be a condition of benefit. Mr Newton's note of 16 February sees this as a possibility, depending on the success of administrative changes to tighten the existing system. A subsidiary question is whether any carrots are needed as well as this stick;
- that assessment of maintenance should be through an administrative formula, with a right of appeal to the courts (as in the USA); Mr Newton's note of 6 February suggests a formula may be the answer but leaves open whether it should be administrative, or used by the courts;
- that collection should be through the tax system, probably by a separate and fully costed special unit in the Inland Revenue. Mr Newton's note of 6 February suggests that collection might be through deduction from earnings or through the tax system. It points to the example of the USA and Australia, both of whom have separate Agencies collecting maintenance.

Other main issues are:

- the survey of courts and DSS offices, which DSS says is essential (full results will be available in June/July). The Policy Unit say a full survey is not necessary - but a quick enquiry to show current practice by the courts in awarding maintenance is. This would ensure that the formula does not lead to lower maintenance than now;
- timetable. Mr Newton plans to make an announcement of interim proposals in the next few weeks. You will want to welcome this. He hopes to bring forward longer term proposals in July, which the Policy Unit also welcome. But they say you should establish a clear timetable thereafter, with the aim of legislation in the next session. Consultation may be necessary, but the Policy Unit does not think it needs to be protracted. Also legislation need not cover all the detail, which can be left to Regulations.

at the meeting you may wish to:

- welcome what has been achieved so far (paras 2 -4 of Mr Newton's minute of 16 February at Flag C);
- endorse the short-term proposals (para 5 of Mr Newton's minute at Flag C), asking the Chief Secretary and Lord President about expenditure and legislative implications; and agree an early announcement ;
- welcome the Home Secretary's proposals at Flag E and ask the Lord President whether legislation can be agreed for the next session;
- consider proposals for wider reform (Mr Newton's of 6 February at Flag D), asking the Lord Chancellor, the Home Secretary and the Lord Advocate about the implications of radical changes for the courts;
- consider the timetable for action and the need for a full survey (paras 6-9 of Mr Newton's note at Flag C);
- commission future work. The Policy Unit suggest a paper on the effects of formulae; ask Departments to begin discussions on the creation of a new unit in the Inland Revenue to collect maintenance; and commission a quick survey.

ONS

Caroline Slocock
19 February 1990

CONFIDENTIAL

Prime Minister

1. To assist our discussion on Tuesday, 20th February, it may be helpful if I set out the three lines along which action is now proceeding in parallel:

- steps to improve the collection of maintenance from "liable relatives" within the existing framework
- a survey of Courts and DSS offices to improve the factual basis for policy-making
- interdepartmental work to develop proposals for a wider reform of the assessment and collection of maintenance

Action within present framework

2. We have made a good start. From 9th October we extended the absent parent's liability to maintain to cover children aged 16, 17 and 18, saving an estimated £2.5 million from approximately 7,500 liable relatives. Together with earlier action (including a new leaflet placing greater emphasis on the father's responsibility to maintain children, which is successfully encouraging unmarried mothers to give the name), this has contributed to a sharp rise in the maintenance collected. It has risen from £155 million in 1988-89 to an anticipated £180 million in 1989-90.

3. From this April, as I have recently announced, we are reducing from 25 to 15 per cent the amount of net earnings a liable relative can keep (over and above his or her income support level). This will lead to some 100,000 liable relatives paying an average of some £5 a week more, to produce a further saving of some £34 million.

4. In looking for measures within the current system I am constantly being brought up against ways in which it is complex and inefficient. For example some of the measures examined last summer - such as more



frequent reviews of court orders - foundered because of resource costs in already overburdened courts. Nevertheless I have identified a number of additional measures which should enable us to make further progress while the more fundamental work is proceeding.

5. Subject to colleagues' agreement, I propose to make an announcement within the next few weeks, probably in the context of tabling appropriate amendments to the current Social Security Bill, covering six such measures:-

i. To take powers to enable us to recover all the benefit from the liable relative where the mother is unmarried or divorced. At present, a liable relative's responsibility under Social Security law is only for the child in these circumstances.

ii. To take powers for court orders for maintenance taken out by DSS to be made transferable to the lone parent, who would not then be deterred from moving off benefit through uncertainty about her maintenance position. I am also investigating whether DSS could pursue in the Courts the enforcement of the claimant's own maintenance order.

iii. To build on the action already taken to put more pressure on lone parents to name the father: instructions will be issued to DSS offices to proceed in the expectation that the name will be given, and to record and monitor the reasons given for refusal. This will enable us to judge whether it is necessary to move further and take the controversial step of making naming the father a compulsory condition of receiving benefit.

iv. To activate, if Treasury colleagues are content, the use of powers which already exist for DSS access to Inland Revenue data to help us trace absent parents, in addition to the use we already make of National Insurance records.



v. To ensure that the Action Plan following the recent Efficiency Scrutiny on the management of Departmental debt, which I expect shortly, firmly embraces the recovery of money due from liable relatives. This may for example include setting up a Debt Management Unit to centralise activity and expertise.

vi. To ensure that, in announcing the liable relative target for the Regional Organisation for 1990-91, the priority attached to that work is increased, and that we improve the way staff tackle it. If Treasury colleagues can agree to my using part of the savings produced to pay for the extra staff, I believe we could raise an extra £40 million (gross) for £5-£10 million staff costs.

I estimate that, taken together, these measures would enable me to set a target of £260 million to be recovered from liable relatives in 1990-91, as compared with £155 million in 1988-89 and £180 million in 1989-90, a two-thirds increase over the period.

Survey of Courts and DSS Offices

6. Your private secretary's letter of 20th July 1989 emphasised the importance of costings for any emerging proposals. We have under way a survey in around 50 Courts and 30 DSS offices, to gather the information needed to estimate, with greater precision, the likely costs and benefits of any changes in how maintenance is awarded and assessed. This information covers, in particular, how much absent fathers can actually afford; how much courts in fact award, how consistent awards are; and how much is actually collected and when.

7. Some of the necessary information will become available in April and May, but we shall not have the crucial data on enforcement and compliance before June or July. I have asked Gillian Shephard to supervise this work personally.

Proposals for Wider Reform

8. At the same time, my Department is working with James Mackay's, David Waddington's and others to devise proposals for a new system. I

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plan to put such proposals to colleagues in July. Any subsequent announcement could include David Waddington's suggestions (in his letter to Geoffrey Howe of 9th February) for more effective enforcement of maintenance orders in Magistrate's Courts, which I welcome.

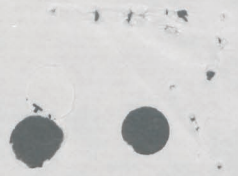
9. While we have the American and Australian systems as examples, neither is likely to provide an exact model for us because of differences in our legal and Social Security systems. Radical reform, however, clearly offers the prospect of substantial potential savings as well as a better deal for lone mothers and their children. We can expect to profit from the early American and Australian experience as we work up our proposals for change.

10. I am copying this to those who will be at our meeting on Tuesday - James Mackay, Geoffrey Howe, David Waddington, Peter Fraser, Kenneth Baker and Norman Lamont - and to John Major, Peter Brooke, Kenneth Clarke, Peter Walker and Malcolm Rifkind.

TN

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16th February 1990





10 DOWNING STREET

Note for the file

Love Parents

The LCD official
attend in Tuesday's
meeting will be

Mr Peter Graham Harris

Head of Law and
family Policy
Division.

AS



10 DOWNING STREET

~~cc Mr Mawer
Mr Watson~~

Cabinet office

I understand you are
to discuss who will
brief for next Tuesday's
meeting at 10.30.
You may like to see
this.

CAS

13/2



SPW

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

12 February 1990

Dear Linda,

I am writing to confirm that the meeting on loan parents which we discussed will be held at No.10 on Tuesday 20 February at 1030. The meeting should last approximately three-quarters-of-an-hour.

I am copying this letter to the Diary Secretaries to the Home Secretary, Chief Secretary, Lord Chancellor, Lord Advocate, Lord President, Chancellor of the Duchy and to Anne Botell (Department of Social Security).

Yours sincerely

Amanda

(AMANDA PONSONBY)

The Diary Secretary,
Private Office,
Department of Social Security.

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

12 February 1990

Dear Ross,

LONE PARENT FAMILIES

The Prime Minister was grateful for your Secretary of State's minute of 6 February setting out the position on the work which is being done in this area. She has also seen the Home Secretary's letter of 9 February to the Lord President. She is anxious that the work is not progressing fast enough and would like to hold a meeting of colleagues as soon as possible to discuss the way forward. We shall be in touch to set up a meeting.

I am copying this letter to Tim Sutton (Lord President's Office), Duncan Sparkes (H M Treasury), Carys Evans (Chief Secretary's Office), Paul Stockton (Lord Chancellor's Office), Stephen Leach (Northern Ireland Office), Andy McKeon (Department of Health), Stephen Williams (Welsh Office), Robert Caniff (Chancellor of the Duchy of Lancaster), Colin Walters (Home Office), Jim Gallagher (Scottish Office) and Alan Maxwell (Lord Advocate's Department).

Yours sincerely,
Caroline

CAROLINE SLOCOCK

Ross Hutchison, Esq,
Department of Social Security

CONFIDENTIAL

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PRIME MINISTER

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LONE PARENTS

You asked me to set up a meeting to discuss Tony Newton's report on what is planned on lone parents.

We have received today the attached copy of the letter from the Home Secretary to the Lord President suggesting some legislation in the next session to improve the courts' powers to enforce maintenance orders and to simplify the procedure for attachment of earnings. This is encouraging - as it shows work is advancing, although it will take time to implement. But it is worrying that there was no hint of this in Mr Newton's progress report and suggests Departments are not properly coordinating their work.

I propose to invite Mr Newton, Mr Waddington, Mr Lamont, Lord Mackay and Lord Fraser to the meeting, and Mrs Anne Botell, the Grade 2 in DSS leading the work, and who has recently visited Australia to look at their systems.

You may like to consider whether you would like the Lord President to be present (in view of possible legislation); and perhaps Mr Baker.

Content that I invite those proposed above to the meeting?

Yes

Do you want to add Sir Geoffrey, Mr Baker and any other officials?

Yes
me

CSS

Caroline Sloccock
9 February 1990

LONE PARENTS

You asked for a work programme and timetable for action because you were concerned that work on lone parents was not progressing fast enough. Mr Newton has sent you the minute at Flag A which suggests that:

- work is already underway on tightening the existing system for recovering maintenance - with a target of £200 million next year compared to a £180 million target this year and £155 million collected last year;

- that other work, although underway, is dependent on:

(a) the survey being carried out, which will take 6-7 months, which will establish costs and benefits;

(b) a review of divorce law;

(c) carrying public opinion. A DSS seminar involving the Law Commission, the Women's National Commission, lone-parent groups and others is proposed. A period of formal consultation of proposals which may have legal consequences may also be necessary.

Mr Newton plans to have costed proposals by the time the survey data is available in the summer, which could be fed into the PES bilaterals. If consultation - and changes in the law - are necessary, more time will have to be allowed before implementation.

Andrew Dunlop, whose note is at Flag B, is not very happy with this; and thinks work could be done faster by carrying it out in stages. He thinks the need for reform is already demonstrated by the evident short-comings of the system; and that public opinion - judging by the reactions to your speech - does not need to be carried.

Agree:

- to welcome the work already being carried out to tighten the existing system for collection?
- to stress that work should not be held up until all aspects of the problem have been settled but should be done in stages. As Andrew Dunlop suggests, although changes in divorce law may affect the levels of maintenance paid, that review should not hold up work to improve the recovery of maintenance. Also creating a new formula for assessment can be done after improving the method of collection (reforms in Australia were in two such stages)?
- to stress that, as Andrew believes, the seminar proposed is a bad idea and should not be pursued. The groups concerned are likely to want higher benefits, not tougher action?
- to stress yet again the urgency of the work and to say that you hope some action can be taken before the results of the survey and before the PES bilaterals?

CAS

Caroline Slocock
9 February 1990

This would do.

Get them in - with
officials - and we will talk
to them. They are dragging

them just badly.

ms



QUEEN ANNE'S GATE LONDON SW1H 9AT

9 February 1990

La George

LONE PARENTS AND MAINTENANCE

Tony Newton is leading the major programme of work we have begun to review the whole issue of maintenance and its interaction with state benefits. This programme is designed to discover whether the system needs a major overhaul or whether it should be replaced by a new system altogether.

I have been giving some further thought to what can be done in the short term to encourage more effective enforcement of maintenance orders in magistrates' courts. I propose we should bring forward a short Bill next Session. The Bill would do two things. First, it would enable magistrates when making maintenance orders to specify how payment should be made. This would enable them to specify, for example, that payment should be made by standing order. This would not only encourage regular payment but it would also discourage default: a debtor would have to take the positive step of cancelling the standing order to default and this would be useful evidence in subsequent enforcement proceedings.

Secondly, the Bill would amend the Attachment of Earnings Act 1971 to enable courts when or shortly after making a maintenance order to attach the debtors earnings on application of the maintenance creditor. At present, earnings may only be attached on application of the creditor after 15 days have elapsed since the maintenance order was made and where the debtor has deliberately refused or culpably neglected to make a payment. This enhanced power to attach earnings could be restricted to magistrates' courts but I hope James Mackay will agree to extend it to the higher courts as well.

Both measures are designed to encourage regular, prompt and automatic payment of maintenance. It is difficult to give precise estimates of their likely effect (Tony Newton has set

/in train some

The Rt Hon Sir Geoffrey Howe, QC, MP
Lord President of the Council
Privy Council Office

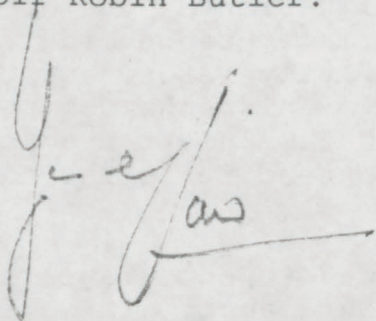
in train some research which would give us better information to work on in due course). But taken together they might generate up to £13 million in extra maintenance each year. There should be commensurate savings in benefit.

I think any extra work for magistrates' courts can be absorbed within existing provision. Tony Newton may wish to comment on possible staff savings in local offices of the Department of Social Security.

An employer has to deduct sums from a debtor's pay packet when his earnings are attached by court order. This statutory obligation will be unaffected by my proposal. The employer is allowed to levy up to 50p from the debtor as a contribution towards the administrative cost of making this deduction. We are already reviewing with employers whether this 50p maximum should be increased. The net effect of all this is that I do not expect my proposal to add to net business costs even though the number of attachment orders may increase.

The Bill will be short and fairly straightforward. It will be uncontroversial at worst and may well be welcomed on all sides of the House. It will make clear we mean business in making absent fathers pay maintenance and will keep momentum going while we wait for the results of our through-going review. I should accordingly be grateful for policy approval for a Bill on these lines. We have already put in a bid for such a Bill to be included in the hand-out list for 1990/91. However, there seems to be political advantage in the Bill being introduced by the Government itself and in order to make that an option for consideration by QL I am sending in a pro forma on which it is put forward as an uncontroversial Bill in parallel with the existing bid.

I am copying this to the Prime Minister, the members of H Committee and Sir Robin Butler.

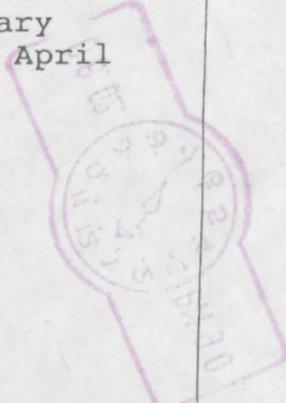
A handwritten signature in blue ink, appearing to read 'Geoffrey Howe', with a long horizontal line extending to the right.

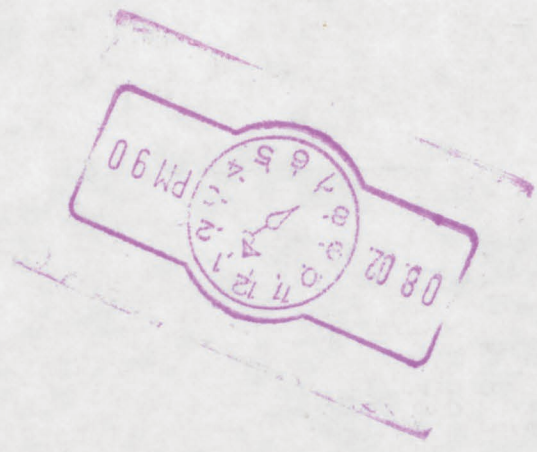
1990/91

GOVERNMENT BILLS PROPOSED FOR

[Please indicate Class of each Bill (Essential, Programme, Contingent or Uncontroversial)]

Uncontroversial

PRIORITY AND TITLE; PURPOSE	DEPT	POLITICAL ASPECTS	LENGTH PARL. PROCEDURE; ROYAL ASSENT	FINANCIAL MANPOWER AND EC ASPECTS	TIMETABLE FOR PREPARATION
<p>Maintenance enforcement Bill 2nd priority in uncontroversial category. Bill to improve the courts' powers to enforce maintenance orders by specifying means of payment and simplifying the procedure for attachment of earnings</p>	<p>Home Office</p>	<p>Supports aim of reducing lone parents' dependency on state and will help women to get maintenance more promptly</p>	<p>4 clauses Suitable for Lords introduction. No set time required for Royal Assent</p>	<p>Possible reduction of up to £13m pa in state benefit expenditure. No additional financial or manpower costs. No EC aspects</p>	<p>H Committee policy clearance being obtained. Instructions to Parliamentary Counsel by April</p> 



8 February 1990

LONE PARENT FAMILIES

Tony Newton's note sets out the nature of the work in hand. My concern is that the planned work programme is unnecessarily protracted.

First, the link with the review of divorce law. Changes in divorce law may affect the levels of maintenance actually paid. But there is no reason to delay work on maintenance itself. The recovery of maintenance will remain a problem which needs to be tackled.

Second, a formula for assessing maintenance payments. Again this should not hold up the entire work programme. In Australia - where radical changes to the maintenance system have been made - reform took place in two stages. The first stage involved making improvements to the method of collection. It was only in the second stage that the method of assessment was addressed. We must not allow work in one area to delay progress in another.

Third, the existing system. Do we really need to wait for "six or even seven months" for a study on the present system for collecting maintenance, since its unsatisfactory nature is obvious?

Fourth, the maintenance seminar. This is a bad idea and unnecessary. The sort of groups suggested are not likely to be sympathetic to tough action to obtain maintenance from absent

fathers, but rather to higher benefits. Moreover, on "public support" - most of the public at large is - judging from the reaction to the Prime Minister's speech - perfectly solid already.

I conclude from this that a revised and quicker programme of work is required.

A handwritten signature in dark ink, consisting of a stylized, cursive 'A' followed by a 'D' and a final flourish.

ANDREW DUNLOP


CONFIDENTIAL

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D

Prime Minister

LONE PARENT FAMILIES

You were concerned that progress be made urgently in the work we are doing on maintenance - a concern which I and colleagues very much share.

2. We are working in three main areas:

- how maintenance payments should be assessed. In view of the legal issues involved, and its close connection with the review of divorce law currently under way, this work is being carried forward by the project group referred to in James Mackay's letter to me of 2 February. Particular consideration is being given to whether, as in other countries, a formula could be used and whether this should be done through the Courts or administratively. The object would be both to see that the maintenance awarded properly reflected the situations of both parties and to speed up assessment.

- how maintenance should be collected and enforced - for example by deduction from earnings, or through the tax system; and what kind of organisation would be required for an effective enforcement system. A number of other countries - the United States and Australia for example - have separate Child Support Agencies specifically charged with the collection function which operate very effectively;



- establish the effectiveness of the present system, in terms of costs and maintenance collected. This work is essential if we are to assess properly what the costs and benefits of a new system would be and this is the purpose of the survey in the Courts and DSS Offices which I announced recently. The nature of this work is such that it cannot be done in less than six or seven months and this sets the outside parameters for the work we are doing: but we are proceeding with all speed with the rest of the work in parallel with it.

3. We also need to consolidate public support for reform and tap the expertise of people involved in the maintenance field. I propose therefore to sponsor a seminar on maintenance within the next two or three months when officials in the Departments involved can meet with organisations such as the Law Commission, Women's National Commission, lone-parent groups and experts in this field.

4. This is a very substantial programme of work which my officials are carrying forward in close consultation in particular with those from the Home Office and the Lord Chancellor's Department. I intend to keep a close eye on its progress myself and I shall be asking for an interim report in April. I would expect to have costed proposals once the survey data is available in the Summer which would be fed into the PES bilaterals with published proposals thereafter.

5. If we choose to go down any of the more radical paths - in particular the use of a formula or assessment outside the Courts - we are likely to need some measure of consultation in view of the legal issues involved and probably main legislation. We shall need to judge once we see the options whether this is a prize worth waiting for: on the experience of other countries we may find that it may well be.



6. But in the meantime I attach great importance to finding ways to improve the amount of maintenance recovered under the present system, and we have also been pursuing this. I reported to the House earlier this week that DSS recovered £155 million from absent parents in 1988/89 and we are on target to increase this to £180 million in the current year. We are tightening the basis on which our local offices assess absent parents' ability to pay, and so next year we expect to recover over £200 million.

7. Your private secretary also conveyed your concern that fathers should be identified so that they can be pursued for maintenance. I and colleagues are also very concerned about this and identification will be a key element of a new, reformed system. It is an integral part of our work programme and we will be bringing forward detailed proposals as part of the overall interdepartmental plans for reforms.

8. I am copying this and the private secretaries' correspondence to Norman Lamont and to other recipients of my letter to him of 23 January - John Major, James Mackay, Peter Brooke, Kenneth Clarke, Peter Walker, Kenneth Baker, David Waddington, Malcolm Rifkind and Peter Fraser.

TN

6th February 1990

TN

CCM



Prime Minister²

HOUSE OF LORDS,
SW1A 0PW

On ②, I have asked
DSS to provide a timetable
for action.

MS
2/2
2nd

February 1990

Dear Tom,

LONE PARENT FAMILIES: MAINTENANCE

Thank you for your letter of 15th January about the review of the maintenance system. I was encouraged by the public reaction to the Prime Minister's speech and your briefing and look forward to officials coming forward with proposals for change in the summer.

As you know, my immediate interest is in the assessment of awards and officials have set up a project group to identify and evaluate the options for change, including radical possibilities such as the use of formulae in place of judicial discretion. To that end, I understand, they are hoping to draw on the very considerable expertise of two academics in this field who would act as confidential consultants.

I also have an interest in the enforcement of maintenance awards. Not only could there be implications for legal aid and court resources in any proposals, but the level of compliance has a significant effect on the value for money realised from the resources expended on assessments by the courts. You will not therefore be surprised when I say that I hope that incentives to dependent parents to pursue liable relatives together with the option of using the Inland Revenue to trace and collect from liable relatives will be very thoroughly considered. I understand that involvement of the tax authorities is regarded in Australia as the lynch pin of a successful scheme.

I am copying this letter to the Prime Minister, John Major, Norman Lamont, Peter Brooke, Kenneth Clarke, Peter Walker, Kenneth Baker, David Waddington, Malcolm Rifkind and Peter Fraser.

James
James

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

SOC SECVS. Benefits pRS



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*File
c: home*

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

29 January 1990

LONE PARENTS

Thank you for your letter of 26 January to Paul Gray. The Prime Minister has seen this and the earlier letter from the Secretary of State for Social Security to the Chief Secretary of 23 January.

The Prime Minister confirms that she did not intend her answer to Dr. Reid in the House on this subject to be taken as a signal that maintenance payments would be disregarded for the purposes of income support, although the terms of her reply were perhaps a little ambiguous. The point she was making was that mothers and children would benefit even under the current rules because they would not have to apply for income support. And, as your letter points out, lone parents on income support benefit financially from the receipt of maintenance payments. She shares the Chief Secretary's view that it is vital that the Government should stick to the present rules for assessment of income-related benefits. Her argument for fathers paying maintenance is primarily a moral one. However, the Prime Minister notes Mr. Newton's wish to consider whether the scheme to improve the system for enforcing maintenance payments should include some encouragement for absent fathers to pay more, as in Australia. She agrees that the Government should not at this stage rule out the possibility of introducing some element of incentive.

The Prime Minister notes that Mr. Newton intends to discuss proposals with the Chief Secretary in the September PES bilaterals. However, she is very concerned that this work should progress urgently, particularly as little progress appears to have been made in the six months of the review so far. She would be grateful if Mr. Newton would provide her with a detailed indication of the work programme proposed and the time-scale departments will be working to, and I am copying this letter to his office.

The Prime Minister also commented when looking at these papers that she was concerned by a case which came to her notice of a teenage mother who refused to name the father of her child. She considers that the naming of the father must be a condition of receiving benefit for single parents, whether or not the name

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- 2 -

is correct. This can be deduced from DNA fingerprinting. I should be grateful for advice from the Department of Social Security on this point.

I am copying this letter to Stuart Lord (Department of Social Security).

CAROLINE SLOCOCK

Miss Carys Evans,
HM Treasury.

CONFIDENTIAL

①

No. 7 come not -
they will still be di-
the mother of children
many of whom may not
then have to apply
for welfare
support

LONE PARENTS

I attach two letters on lone parents:

Flag A The Chief Secretary's letter of 26 January which is seeking your confirmation that an answer you gave in the House did not mean that you intend maintenance payments to be disregarded from income support payments. He stresses the importance of sticking to existing rules; - cyrus

Flag B A letter from Mr Newton stressing that he is keen to take forward proposals as soon as possible, and in parallel with work on the survey. He says he hopes to discuss options in the September PES bilaterals. He wonders how the tax system might be used to collect maintenance. And he suggests that it may be necessary to introduce some encouragement for fathers to pay more maintenance - as in Australia. He is not clear whether this might mean introducing some element of benefit disregard.

There are two points here:

- the Policy Unit are still concerned about the timescale of this work, which has been in progress for over 6 months with little to show. Andrew Dunlop has attended an interdepartmental meeting of officials earlier this week where the planned work programme would mean the earliest legislation could be introduced would be 1991/1992. He is still concerned by the lack of urgency;
- whilst the moral argument for fathers paying maintenance must be the main motive for pursuing them, some system of encouragement should perhaps not be ruled out at this stage.

They must
get on
with it -
urgently
not

Content to respond by:

- making it clear to the Treasury that you were not

signalling that maintenance payments would be disregarded in your answer to Dr Reid?

Agreed

- stressing that the case for making maintenance payments is essentially a moral one; but that you do not want at this stage to rule out the possibility of introducing some element of encouragement to fathers?

Agreed

- stressing the need for urgent action and asking Mr Newton to give you a more detailed indication of his work programme?

Agreed

CS

Caroline Slocock

26 January 1990

One further point, arose
from a case which came to my
notice - the mother (teenage) refused
to name the father. This (i.e. the
name) really must be a condition
of receiving benefits, & whether
or not the name is correct, can be
deducted from DMT
Agreed.

OJO



CCPU
Prime Minister

We assumed at the time you had (A) in mind and not

Treasury Chambers, Parliament Street, SW1P 3AG (B). Contact with that in perpetuity?

RCCG
26/1

Paul Gray Esq
10 Downing Street
London
SW1

26 January 1990

Dear Paul

LONE PARENTS: MAINTENANCE

I attach a report from the Financial Times about the exchange with Dr Reid during Prime Minister's Question Time on 18 January. Dr Reid asked whether the Exchequer or children would benefit from any changes which led to higher maintenance payments and sought a pledge that every pound saved by the Exchequer would be committed to child welfare.

(A)

2. In one important sense, lone parents receiving income-related benefits will gain from higher maintenance payments. Some of them might be floated off these benefits altogether (and thus out of the poverty trap). And others would become less dependent on them.

3. However, maintenance payments are of course treated as income for the purpose of assessing lone parents' entitlements. If they are on income support, benefit is reduced pound for pound. If they are on housing benefit and community charge benefit, the reduction (from April) will be 80p in the pound.

(B)

4. The Chief Secretary sees a risk that the Prime Minister's reply to Dr Reid could be interpreted as indicating that the Government may in future disregard maintenance payments in calculating entitlements. He believes it vital that the Government stick to the present rules for assessment of income-related benefits, given that one of the main reasons for the enormous growth in social security expenditure on lone parents has been the failure of absent fathers to provide properly for their children. It is reasonable that action to correct this failure

should lead to a reduced burden on the taxpayer. High withdrawal rates apply generally to benefit claimants, not only lone parents, and they play an essential part in concentrating available resources on those most in need. It would be very expensive to exempt maintenance income paid to lone parents from these rules and also hard to defend to other claimants. He is also conscious that the benefit system already contains special provisions for lone parents and that any further relaxations might well be difficult to defend in terms of the government's policy towards families generally.

6. I am sending a copy of this letter to Stuart Lord.

Yours

Carys Evans

MISS C EVANS
Private Secretary

Engagements

Q1. **Dr. Reid:** To ask the Prime Minister if she will list her official engagements for Thursday 18 January.

The Prime Minister (Mrs. Margaret Thatcher): This morning I presided at a meeting of the Cabinet and had meetings with ministerial colleagues and others. In addition to my duties in the House, I shall be having further meetings later today.

X **Dr. Reid:** Following her speech last night when she outlined plans to ensure maintenance payments by absent fathers, may I welcome the move but inform the Prime Minister that the question being asked this morning by many people is: who will benefit financially, the Chancellor or the children? Will the Prime Minister clear up the matter by giving a pledge today that every pound saved by the Exchequer from the enforcement of the new regulations will be committed to child welfare?

The Prime Minister: Both the mothers and the children will benefit. A scheme is being worked out and my right hon. Friends will come forward with it in due course.

Sir Peter Tapsell: If the governor of the Bundesbank was being serious and was not merely seeking to tease his own Minister of Finance when earlier this week he called for the establishment of a European central bank, totally free from all political control, will my right hon. Friend reiterate that that would be overwhelmingly rejected by people of all political persuasions in this country and, one would hope, by everyone throughout Europe who subscribes to the concept of parliamentary democracy?

The Prime Minister: Yes, Sir. I am grateful to my hon. Friend and agree entirely with what he said. I believe that this hon. House does, too, judging from the debate. It was clear that all parts of the House totally and utterly rejected stages 2 and 3 of the Delors report, which would mean a central bank that took powers out of the hands of the House, not only on monetary policy but on budgetary policy, too.

Friday, January 19, 1990

FINANCIAL TIMES

MAINTENANCE

Thatcher in pledge on payments

By Alison Smith

13

THE Prime Minister yesterday promised that benefits from the Government's plans to improve the collection of maintenance payments from fathers, would go to families. "Both mothers and children will benefit," she told the Commons.

She was replying to a question from Dr John Reid (Lab, Motherwell North), who welcomed her remarks about maintenance payments in Wednesday's speech, but asked "Who will benefit financially - the Chancellor or the children?" "Will the prime minister give a commitment and pledge today that every pound saved by the Exchequer will be committed by the Government to child welfare?"

Earlier, Mrs Thatcher had been accused of "hypocrisy" by Ms Joan Lestor, the opposition spokesman on children.

She said that the prime minister's words had seemed to imply that improving the arrangements for recovering maintenance payments from fathers would give children in poverty a better standard of living. But nowhere in the speech had she said that any extra money collected in this way would go to alleviate child poverty. And she said that Mrs Thatcher's emphasis on the responsibilities of fathers was a "smokescreen."

"Instead of facing up to the poverty she's created, she's trying to shift the balance."



PAUL GRAY

24 January 1990

LONE PARENTS: MAINTENANCE

I have seen Tony Newton's letter of 23 January. I share the Chief Secretary's concern about the lack of progress that has been made on this issue.

John Moore first informed the Prime Minister that work was in hand a year ago. The DSS identified in June the gaps in the information required to take soundly based decisions. Yet only now are they embarking on the surveys necessary to fill those gaps.

Earlier in the week I attended an inter-departmental meeting of officials to discuss the programme of work required and the timetable, (a copy of which is attached). I asked when, working to this timetable, the Government would be in a position to legislate. I was told the 1991/92 session at the earliest.

Can I suggest that this is brought to the Prime Minister's attention, because I suspect it is not at all what she had in mind?

Clearly there are tricky issues to be faced when contemplating any major change, but I sensed a lack of urgency about the whole process. It needs some impetus behind it which only the Prime Minister can give. She might want to raise this issue with Tony Newton in the margins of Cabinet.



ANDREW DUNLOP

INTERDEPARTMENTAL REVIEW OF MAINTENANCE

Programme of Work

Timetable: January-October

Requirements: - Monthly meeting of steering group
- frequent meetings of:

- i) individuals working on policy options
- ii) survey working group and sub-groups.

January-March	- - -	Formulation of broad options for change initial discussion of pros and cons and issues raised seminar to hear views of interested parties eg NaCOPF, academics etc.
March/early April	- -	Evaluation of pilot study decision by steering group of the options to be worked up in detail/feeding in data from survey as it becomes available.
April-July	-	Working up detailed options on registration of claim identification/location of LR award collection <i>and payment</i> enforcement appeals
August	- - -	Final report of survey working group Costing of preferred options Consider consultative process.
Late August/early September	-	Report to Minister with preferred options for change and option for consultative process.
September/October	-	Prepare a consultation document that outlines Ministers non-negotiable items and preferred options (in broad terms).



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DEPARTMENT OF SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

From the Secretary of State for Social Security

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

23rd January 1990

Norman Lamont

LONE PARENT FAMILIES : MAINTENANCE

Thank you for your letter of 22 January.

As you know, I am already committed to producing savings in the coming year from tightening up our procedures for collecting maintenance under the present system. But, like you, I am also keen that we should be able to bring forward proposals for long term change on maintenance as soon as possible. It is essential however that these proposals are soundly based, and that we know both how much we might be able to recover from absent parents and how much it will cost to do it. That is why the survey has been put in hand.

We shall push ahead with it as quickly as we possibly can, and will be examining proposals for change while the survey proceeds. The information coming out of the survey can then be used to test various proposals.

Having said that, we could well be talking about fundamental changes to the whole process of determining and collecting maintenance, perhaps involving changes to family law. This is a big and complicated area, and the introduction of a radically new system would be likely to entail wide consultation. So while I hope to be able to discuss options for reform in our bilaterals in September, there could still be a considerable way to go before we have all the answers.

The Australians, for instance, have considered two factors to be very important in achieving the success that they have had. The first is the key role of the tax authorities in tracing absent parents and collecting money from them. As I mentioned to John Major two weeks ago, I think that it would be an excellent idea for the Interdepartmental Group looking at all this to talk to the Inland Revenue to explore the possibilities that exist for collecting maintenance through the tax system. My people have already been given details of the relevant officials in the Inland Revenue and will be getting in touch with them shortly.

E.R.

The second important point is the desirability of incorporating in any scheme some encouragement for absent parents to pay more maintenance by demonstrating real advantage for their families. I understand that the Australians have seen this as an essential element, both in gaining the co-operation of those required to pay and in harnessing the necessary breadth of political support for such substantial change in so sensitive an area.

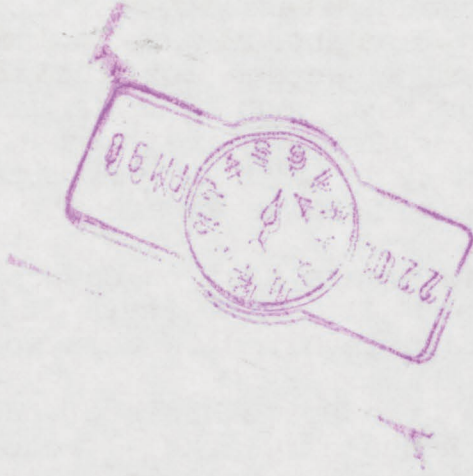
The implications of any new arrangements need to be considered by the Interdepartmental Group, and I agree that it would be sensible to have Treasury officials involved in this work.

I am copying this letter to the Prime Minister, John Major, James MacKay, Peter Brooke, Kenneth Clarke, Peter Walker, Kenneth Baker, David Waddington, Malcolm Rifkind and Peter Fraser.

M. ev.
Tony

TONY NEWTON

SOCIAL SERVICES : Upramam AS





Pamie Minister² cell/h.
CAS 22/1
RLE

Treasury Chambers, Parliament Street, SW1P 3AG

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

22 January 1990

Don R

LONE PARENT FAMILIES: MAINTENANCE

WITH Pa

Thank you for sending me a copy of your letter dated 15 January to the Lord Chancellor.

2. As you know, the rapid growth in social security expenditure on lone parents has been a major source of concern for a number of years. Total expenditure has roughly doubled in real terms since 1978-79 to over £3½ billion in the current year. And our Survey agreement last year provided for still further growth in this expenditure, of up to £½ billion a year on income support and one parent benefit alone. Against this background, it is clearly important that we proceed as quickly as possible to take steps which will at least constrain the future growth of expenditure. Collecting more maintenance is obviously a priority, as this will enable expenditure on the income-related benefits to be reduced. I understand that only about 1 in 4 of lone parents on income support receives any maintenance at all and that the average amount received is a derisory £4 a week. There should therefore be considerable scope for savings in benefit expenditure.

3. I very much hope that the survey you are planning with other interested departments will put you in a position to bring forward proposals on maintenance quickly, bearing in mind that these matters have already been under discussion for almost a year. I understand that, on present plans, it is expected that collecting and analysing the survey data and then producing a report will take about 6 months. And you say in your letter that careful consideration will be needed before any proposals for change can be brought forward. I must say that I would be extremely concerned if there were much further delay in tackling this problem. And I wonder if you could consider whether it would be possible to accelerate this timetable?

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4. As far as the costs of the survey are concerned, assuming that they are found from within existing PES provision, I am content.

5. I am glad that the work by officials on options for change will continue in parallel with the survey. From now on, I would like Treasury officials to be closely involved in this work. Please let me know if there is any difficulty about this.

6. I would like to consider the options for reform in the context of the 1990 Survey, when we have our bilateral discussions in September. As you say in your letter, the wider review does not of course prevent us from taking other action to improve maintenance recovery under the present system in the meantime, and I will also be looking for savings from such action in the Survey.

7. I am copying this letter to the Prime Minister, John Major, James MacKay, Peter Brooke, Kenneth Clarke, Peter Walker, Kenneth Baker, David Waddington, Malcolm Rifkind, and Peter Fraser.

NORMAN LAMONT



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

Mo

From the Secretary of State for Social Security

① You do NOT need a survey to establish the point of principle.

Prime Minister ①

CONFIDENTIAL

The Lord MacKay of Clashfern
Lord Chancellor
House of Lords
London
SW1

② Payment of maintenance can only be withheld on Wednesday. There is a danger that it will diminish the effect of your comments in the NCH speech
③ The proposed survey and all the work about piloting to justify other consultation is designed to show DOWN much needed action. The Sunlight

Content for Mr Newton to arrange research into this area
15th January 1990
but it seems to be the best DSS have to offer?

Dear Lord Chancellor,

is it not good news. 15/1/90
It would only be so if it was stated that work to reverse maintenance

LONE PARENT FAMILIES: MAINTENANCE

would be a good quality. You don't need

I am writing about the review of the maintenance system which the Prime Minister asked my predecessor to set under way when she held a meeting about lone parents in July 1989. As you know, my officials have since been working on this with yours and with others from the Home and Scottish Offices and the Lord Advocate's Department. The Prime Minister was concerned, as we are, that arrangements for obtaining maintenance from non-custodial parents should be improved so that they do not escape their responsibilities. Radical changes were to be considered, and a key part of the work would be to examine the costs of proposals.

a survey for that not

As you will know, the work on this so far has thrown up a substantial number of issues which are being pursued, such as how best to ensure compliance with maintenance awards, and what account these awards should take of the needs of second families. The analysis to date also suggests that - possibly substantial savings might be made on the cost of benefit for lone parent families. But to produce firm estimates of these savings and of the effect on administrative costs, our officials all agree that we need a great deal more information. This includes, for example, data on absent fathers' resources and the levels of maintenance awarded and collected. Our officials have therefore drawn up plans for a short survey exercise to gather the data needed from a sample of courts and DSS local offices in England, Scotland and Wales.

E.R.

Clearly work on the various policy issues and on possible options for change needs to continue in parallel with this survey to ensure we complete this review as swiftly as possible. I hope that by the autumn we will be able to have a clear view of the broad way forward, although this is going to mean that our officials will have to continue to give this work a great deal of priority. Because of the importance of this for families and the sensitivity of the issues it raises it might be sensible for us to move to some kind of consultation. But overall I believe we will be able to present well-thought out action in this area very positively, particularly if (as has been a crucial ingredient in the recent Australian measures to introduce a standard maintenance formula backed by collection through the tax office) it is clear that the result will be to help the families themselves as well as bringing significant benefit to the taxpayer.

I think the data survey which our officials have planned should go ahead as quickly as possible and I hope that you, and David Waddington, Malcolm Rifkind and Peter Fraser - to whom I am copying this - agree. It would be piloted first. In the exercise itself information would be gathered from the courts by market researchers, or, if they are willing, by present or former court staff remunerated separately and not as part of their official duties. This should minimise the interruption to the courts' normal work.

This survey can itself be presented as good news. There have already been comments from time to time that more information is needed about how our maintenance system works in practice. The National Council for One Parent Families has made representations to me on this point, and the criticism may well mount in view of the encouraging early experience of the Australian changes to which I have referred. Against this background I think we should announce this survey in very positive terms. Its aim is to gather further information and clarify how our maintenance system is working - a responsible way of proceeding. I am sure that it will be welcomed by many outside Government. Taking the initiative by making this announcement would also be sensible because it would inevitably become known that the survey was happening and we would be asked why. We would indicate that we would expect to publish the results of this survey, but emphasise that they would need careful consideration before any proposals for change could be brought forward. This would not, of course, prevent us from taking any other action to improve maintenance recovered under the present system in the meantime.

By
copy for NI AT&E

PRIME MINISTER

MEETING OF E(A): 13 DECEMBER

You saw some of the papers for tomorrow's E(A) discussion over the weekend.

It will no longer be necessary for E(A) to discuss Traffic and Parking in London. Over the weekend you agreed that this could be taken off the agenda if Mr. Parkinson could reach agreement separately about the proposed Traffic Director with the Home Secretary and the Environment Secretary. He has now done this, on the basis that a final decision on the arrangements for the Traffic Director can be taken in the light of the consultation process. Mr. Parkinson will now be circulating a draft of his proposed statement.

So that leaves two items on tomorrow's agenda:

1. Control of UK fishing capacity
2. National Insurance Fund.

The papers are organised in the two dividers below. They are:

Divider 1 - Fishing

Flag A - minute from John Gummer which you saw over the weekend. He recommends responding to the Commission's target for reductions in the fishing fleet by harnessing market forces rather than a decommissioning scheme.

Flag B - minute from Nick Ridley supporting the Gummer approach.

Flag C - paper from Malcolm Rifkind opposing the Gummer proposals, and instead pressing the need for a decommissioning scheme.

Flag D - Cabinet Office brief.

Divider 2 - National Insurance Fund

Flag E - paper by Tony Newton, which you saw over the weekend, advocating the removal from the Fund of the two main non-contributory benefits (industrial injuries benefits and statutory sick pay/maternity pay).

Flag F - Cabinet Office brief.

Recd.

PAUL GRAY

12 December 1989

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PRIME MINISTER

P 03590

THE NATIONAL INSURANCE FUND

Paper by the Secretary of State for Social Services

E(A) (89) 33

DECISIONS

The National Insurance Fund is due to go into deficit by 1992-93 on present policies. E(A) rejected Mr Newton's earlier recommendation to avoid this by abolishing the allocation to the NHS but agreed that the Social Security Bill should include a power to vary National Insurance contributions by Order by wider margins than allowed under existing legislation. Mr Newton now recommends that, instead of this new power, the Bill should remove from the Fund expenditure on the non-contributory benefits: that is, industrial injuries benefits and statutory sick pay and maternity pay. An early decision is needed for the Bill. The Committee will want to decide whether to accept Mr Newton's recommendation.

2. You may wish to focus on:

i. the long-term prospect. In the last discussion you stressed the need to ensure that the Fund was on a sound footing for the future. Mr Newton says that there is no structural problem with the Fund. What is needed is a way of meeting the problems caused by the success of personal pensions "until the natural buoyancy of the Fund restores stability in the medium and longer term". You will wish to consider whether to accept this analysis.

ii. measures to deal with the short-term problem. Mr Newton does not want to rely solely on increased National Insurance contributions to solve the Fund's prospective deficit. Rather than widen the power to vary contributions in the Bill, he proposes to legislate to remove expenditure on non-contributory benefits (industrial injuries, statutory sick pay and maternity pay). He says that this should solve the problem for two to three years and allow time to see how things develop; and that any further action needed could be accommodated within existing powers to vary contributions and the NHS allocation. You will wish to decide whether to approve the package which Mr Newton proposes.

BACKGROUND

3. Mr Newton told E(A) on 23 November that the balance in the National Insurance Fund would fall below the minimum level of one-sixth of annual benefit expenditure recommended by the Government Actuary in 1991-2 and would go into deficit in the following year. He recommended abolishing the Fund's allocation to the National Health Service. The Committee rejected this proposal, and asked Mr Newton to consider further the options for putting the Fund on to a sounder basis.

ISSUES

The long-term prospect

4. At the last E(A) you were concerned whether the Fund was on a sound basis for the longer term. Mr Newton says once the short-term difficulties have been dealt with the natural buoyancy of the Fund will restore stability in the medium and longer term. You may wish to ask about the factors underlying this analysis and check that the Treasury is content that it is robust:

i. link with earnings. Mr Newton probably has it in mind that contributions are related to earnings, whereas most benefits are related to prices, and that if this trend continues it should reduce the long-term burden on the Fund.

ii. long-term impact of personal pensions. Mr Newton also makes the point that personal pensions are an alternative to SERPS and their success will reduce the Fund's outgoings on that account in the longer term.

You may wish to ask how big the effect of these factors is likely to be and over what timescale they are likely to make themselves felt. Line A of annex 2 appears to show a steady decline into deficit up to 1996-97 if no change is made.

Non-contributory benefits

5. Instead of taking power to vary National Insurance contributions by Order by wider margins than at present permitted, Mr Newton recommends that the balance in the Fund should be maintained by removing expenditure on the non-contributory benefits funded from it: industrial injuries benefits, statutory sick pay and maternity pay. The change would be made in the forthcoming Social Security Bill. You will wish the Committee to reach a view on this proposal. Points to be considered include the following:

i. National Insurance contributions. One alternative to Mr Newton's proposals would be an increase in NI contributions, which he puts at 0.5% for both employers and employees in both 1991 and 1992. You will want to decide whether to accept Mr Newton's recommendation against such increases.

ii. the minimum balance. E(A) at its last meeting asked whether the minimum level for the balance in the Fund could be reconsidered. It is based on a recommendation by the Government Actuary, and is not statutory. On this, Mr Newton says that a balance is needed to deal with short-term fluctuations, that the size of the minimum level has fallen over the years and is now if anything lower than the Actuary would now recommend if formally asked.

iii. the need for further measures. Mr Newton says that his proposals would keep the Fund above its minimum level until at least 1992-93. He cannot guarantee that they are a complete solution, but says that probably any further adjustments would be small.

iv. controversy. Mr Newton does not discuss likely reaction to his proposals for legislation. Would it be alleged that the position of recipients of non-contributory benefits would be less well protected?

v. expenditure. Mr Newton's proposals would appear to mean financing over £1 billion of expenditure from the Consolidated Fund, and thus from general taxation, rather than from the National Insurance Fund (para 14). You will wish to check that Treasury Ministers are content.

The NHS allocation

6. At E(A)'s last meeting it was suggested that there might be a case for doing more to identify the NHS contribution as a separate element and relating changes in it more closely to changes in spending on the NHS. Mr Newton does not mention this. You may wish to consider whether this possibility should be studied further.* One step in this direction would be to widen the margin within which the NHS allocation can be changed (at present 0.1%) without primary legislation.

* It is a two edged weapon. While it might bring home to people the costs of the NHS, it could also increase pressures for more spending if their source of revenue was buoyant

Power to vary contributions

7. On 23 November E(A) decided that the Bill should contain a power to widen the margin within which the NIC rate can be varied (at present 0.25% for both employers and employees) without primary legislation. Mr Newton argues that this is now unnecessary. You will wish to decide whether it is right not to take this extra flexibility.

HANDLING

8. You will wish to ask the Secretary of State for Social Security to introduce his paper. In writing it he has consulted the Chancellor of the Exchequer and the Secretary of State for Health. The Lord President of the Council will be interested in the effect on the Social Security Bill.

R.T.J.

R T J WILSON
Cabinet Office
8 December, 1989

File M
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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

27 November 1989

Dear John,

CHILD TAX ALLOWANCES

I have written separately to you, copied to Stuart Lord at DSS about the recent correspondence from Lord Joseph and the Prime Minister's wish for a discussion of this following the 1990 Budget. The purpose of this letter, which I am not copying to DSS, is to record the Prime Minister's wish that no action is contemplated for the 1990 Budget that would pre-empt the possibility of a return to child tax allowances in the future.

I should be grateful if you would ensure this letter is seen only on a strict need to know basis.

Yours,
Paul

PAUL GRAY

John Gieve, Esq.,
H. M. Treasury



File 81
I

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

27 November 1989

Dear John,

LORD JOSEPH AND TAX ALLOWANCES

I believe the Chancellor and the Secretary of State for Social Security have already received copies of the attached letter from Lord Joseph of 17 November.

The Prime Minister has now replied in the terms attached. She would like to discuss with the Chancellor and the Secretary of State for Social Security the case for reinstating child tax allowances after the 1990 Budget; and she would be grateful if preliminary work could be put in hand for such discussion next spring.

I should be grateful if you and Stuart Lord (Department of Social Security), to whom I am copying this letter, would ensure it is seen only by those with a strict need to know.

*Yours,
Paul*

PAUL GRAY

John Gieve, Esq.,
H. M. Treasury



Cole KK

cc hmt
drs

10 DOWNING STREET
LONDON SW1A 2AA

THE PRIME MINISTER

27 November 1989

Dear Keith,

Thank you very much for your letter of 17 November with which you enclosed a paper and other attachments on the possibility of a return to Child Tax Allowances. Your note raises some important issues about family policy and the implications for the tax system, and we will certainly be considering your comments and ideas seriously.

Yours ever
Margaret

The Rt. Hon. The Lord Joseph, C.H.

THE RT HON JOHN WAKEHAM MP



Department of Energy
1 Palace Street
London SW1E 5HE

01 238 3290

The Rt Hon Norman Lamont MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

cc PM
NBPM

RCG

24/11

24 November 1989

Dear Norman

LOW INCOME HOUSEHOLDS : GRANTS FOR INSULATION

Thank you for your letter of 21 November in response to mine of the previous day. I enclose a copy of the Press Release I put out on the Parliamentary Answer, from which you will see that I incorporated your suggested amendment. In talking to the Press I was able to brush off all questions about the details of the scheme by emphasising that these will be announced in due course following consultation.

However, in due course, I am bound to be pressed on what the new scheme will achieve. I think that it is almost inevitable that, not wishing to oppose the new scheme in itself, the opposition will attempt to argue that it is 'too little, too late'. Viz the attached letter from Frank Dobson received today. In responding to that charge it will be important that I can give an effective rejoinder to the claim that it amounts to no more than a device for rechanneling money which was anyway due to be spent on draughtproofing.

I believe that a presentation in terms of a scheme offering greater availability of assistance funded initially by a transfer of provision from the Department of Employment will enable me to give an upbeat presentation on the opportunities afforded by the new scheme, without committing myself to expenditure for which I have no provision. If in the event we can agree an increased provision in next year's survey then that would be entirely consistent with such a presentation. But the presentation does not commit us to such an increase since even in its absence the new scheme will widen availability by enabling a broader



geographic spread of insulation work into areas where there is little or no coverage of projects operating under Employment Training, and by avoiding the present under-spend which has emerged under Energy Grant should also allow some increase in expenditure and houses treated compared to present levels.

Since the new scheme does not have a predetermined end date, and the transferred provision covers only the PES years, it is reasonable to describe it as providing initial funding whether or not we are able to make a subsequent increase in provision for the later years. In responding to direct questions about the level of resources available, I will, of course, need to refer to the sums to be transferred once the precise figures for these have been agreed. I shall then need to argue that I have no reason to think that these will be inadequate for bringing the new scheme into operation, but provision for years after 1990/91 will be examined again in next year's survey in the normal way.

I have always been clear that longer term targets for numbers of homes to be treated under the new scheme substantially below the minimum recommended by the Select Committee on Energy would not be 'sellable' in the present climate. I appreciate, of course, that I cannot commit the new scheme to achieving targets which would be inconsistent with the resources available to it, but I must be free if necessary to indicate the sort of levels to which I hope the scheme will eventually aspire.

I am happy to give you the assurance that my officials will consult yours on the detailed design of the scheme and on the arrangements for auditing which will be developed in the coming months.

A copy of this letter has been sent to recipients of yours.

A handwritten signature in dark ink, appearing to read 'John Wakeham', with a stylized flourish at the end.

JOHN WAKEHAM



HOUSE OF COMMONS
LONDON SW1A 0AA



John Wakeham,
Secretary of State,
Department of Energy,
Thames House,
Millbank,
LONDON SW1P 4QJ

SECRETARY OF STATE'S OFFICE	
TO	
FOR	
DR	
APPR	
PLEASE BY:	
VIA	22/11 PS/MAS

22 November 1989

Dear John Wakeham,

Home Insulation

Today's announcement of help for home insulation projects to be administered by the Energy Efficiency Office raises some fundamental questions.

Neighbourhood Energy Action schemes have been devastated by the move from the Community Programme to Employment Training. The number of trainees working on schemes has been cut from 7,661 last August to 3,393 today. The real drop in the amount of work being done is even greater than that implies because trainees now spend 40 per cent of their time on directed training. So NEA work is now running at around one-quarter of the level of fifteen months ago.

Home insulation now faces another major attack from your Government. As you know, the Housing and Local Government Act takes away the 95 per cent grant to local authorities for roof insulation and draft-proofing for disadvantaged households. No wonder that there is so much concern that insulation schemes will suffer when put in direct competition with the other demands on local authorities' budgets, not least those caused by homelessness.

In any case, we need to be assured that new measures are funded by real additional money. How much will be made available? Is this money to be found from elsewhere in your Department's budget? Is it simply being transferred from the Social Security budget? Or does it represent a change to the Government's spending plans so soon after the Autumn Statement? Your clarification on this is obviously crucial.

In 1985, the Department of the Environment estimated that £693 million needed to be spent on the insulation of the local authority homes in England and over £4 billion generally on heating, insulation and works to remedy condensation. Could you please let me know the latest official estimates, taking account of inflation and deterioration since



1985. Could you also give estimates for non-local-authority housing and for housing in the United Kingdom as a whole.

Money certainly needs to be spent on insulating homes, saving energy, money and lives. But it should be done according to a sensible assessment of need and through local authorities. The voluntary groups administering Neighbourhood Energy Action schemes are to be commended for their efforts to make the best of things. But the home insulation should not be an off-shoot of Employment Training. For the Department of Employment to administer the grants to draft-proof people's homes is quite byzantine and merely reflects your Government's hostility to local authority involvement. Surely home insulation should be directed at the coldest homes and most vulnerable residents and not determined by the state of local ET schemes.

A decade ago, your Government stopped in its tracks Labour's ten-year-programme launched in 1978 to help local authorities insulate homes. So today's announcement is clearly a case of much too little, far too late.

I look forward to your comments and hope you will be able to assure us that any new money is in addition to Departmental budgets announced in the Autumn Statement; that your Government accepts its responsibility to meet the needs identified in 1985 and acknowledges its mistake in halting the 1978 ten-year-programme; and that you will move away from the present chaotic energy conservation arrangements.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Frank Dobson', written in a cursive style.

FRANK DOBSON MP

DEPARTMENT OF ENERGY

1 Palace Street,
London SW1E 5HE
Press Office: 01-238 3347
Out of hours: 01-276 5999
Press Office Fax: 01-931 9893
Telex: 918777 ENERGY G
Non-Press Enquiries: 01-238 3368

NEWS RELEASE

171

22 November 1989

INSULATION GRANTS FOR LOW INCOME HOUSEHOLDS

John Wakeham announces new scheme

John Wakeham, Energy Secretary, today announced a new scheme of grants towards the cost of basic insulation measures in low income households in England, Scotland and Wales.

In answer to a Parliamentary Question from John Hannam MP (Exeter) Mr Wakeham said:

"Community Insulation Projects play a valuable role in providing basic insulation measures in low income households. My predecessor and I have therefore monitored carefully the impact on the projects of the transition from the Community Programme to Employment Training. Despite the success of the special support measures introduced by my Rt Honourable friend the Secretary of State for Employment during the past year there is now widespread agreement that particularly in today's changed climate of substantially reduced unemployment we cannot continue to rely solely on training programmes for the unemployed to support a national network of insulation projects. There is an increasing need for projects to develop into community insulation businesses,



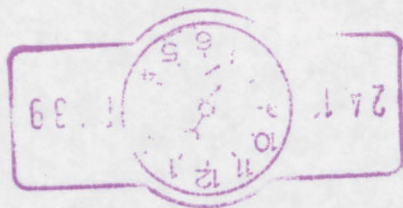
capable of financing themselves directly through the insulation services they provide.

I hope, therefore, to include powers in forthcoming legislation to enable my Department to introduce a new scheme of grants towards the cost of basic insulation measures in low income households in England, Scotland and Wales. Grants towards the cost of draughtproofing, loft, tank and pipe insulation will be available under the legislation. Details of the proposed scheme, which will cover both owners and tenants in both the public and private sectors, will be announced in due course.

This announcement is good news not only for Community Insulation Projects and for those on low incomes but for all concerned with improving energy efficiency, and I am sure it will be widely welcomed."

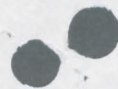
BACKGROUND NOTES

1. John Wakeham today saw one of the Community Insulation Projects in action, visiting the home of Mrs Nellie Prior in Croydon, whose home was being draughtproofed by a CIP run by NACRO's (National Association for the Care and Resettlement of Offenders) Croydon Energy Project.
2. There are about 300 Community Insulation Projects in Great Britain, co-ordinated by Neighbourhood Energy Action with the support of the Energy Efficiency Office. They undertake domestic insulation work, mainly draughtproofing, as part of the training of unemployed people. Over 700,000 low income homes have benefited from their services since the work began in 1982.
3. Energy Grant towards the cost of draughtproofing materials used by Community Insulations Projects under Employment Training is currently provided by the Department of Employment. Once operational, the new Department of Energy scheme will replace Energy Grant. Grants under the new scheme will be available to Training Managers operating insulation projects but will not be dependent on the operation of Training Programmes.



Joe Lane

Upgrading PMS



PRIME MINISTER

CORRESPONDENCE WITH LORD JOSEPH: CHILD TAX ALLOWANCES

Lord Joseph has sent you an interesting letter and attachments below in which he advocates serious consideration being given to the return to child tax allowances.

Much of what he says ties in very closely with comments you have made yourself. This approach also follows on the material from Frank Field which you saw recently. You have also mentioned your interest in such a change informally to John Major; and I have also passed the point on informally to Tony Newton's office.

The tentative arrangement we have already put in place is that you should talk to John Major and Tony Newton about this after the 1990 Budget. I still think that is the best timing. There seems no question of making such a change in time for 1990, although you will want to ensure that any measures in the 1990 Budget did not hinder or preempt such a possibility for the future.

I therefore suggest you should send a short reply to Lord Joseph in the terms attached; and that I should confirm with John Major's and Tony Newton's offices (who have already been sent Lord Joseph's letter) that you do want to have a discussion about this after the next Budget.

Content:

(i) to sign the attached reply?

Yes

(ii) for me to ask the Treasury and DSS to do some preliminary work for a discussion next spring, and indicate that in the meantime you hope no action is contemplated for the 1990 Budget that would preempt a subsequent return to child tax allowances?

Recd.

PAUL GRAY

23 November 1989

C:\economic\cta.kk

Yes not

CONFIDENTIAL



NBpm

RACG
21/11

Treasury Chambers, Parliament Street SW1P 3AG

The Rt Hon John Wakeham MP
 Secretary of State for Energy
 Department of Energy
 1 Palace Street
 London
 SW1E 5HE

21 November 1989

LOW INCOME HOUSEHOLDS: GRANTS FOR INSULATION

Thank you for your letter of 20 November. I am pleased there is now a legislative vehicle for this scheme.

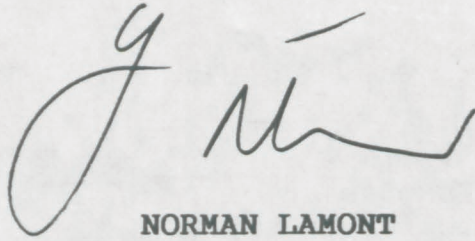
2 I am grateful for your recognition that we must avoid any commitment to the scheme operating at levels of expenditure beyond those for which there is PES provision. But I do not think that your intention to present it as offering greater availability of assistance is consistent with this. We cannot pre-empt next year's public expenditure discussions, so I think it would be very unwise for anything which is said, when you make the announcement later in the week, either formally or informally to suggest that more resources will become available. My understanding is that the current provision would pay for draught-proofing for 170,000 homes. I fully accept that if resources were available to extend the scheme, it would be highly inconvenient were it necessary to take new primary legislation to do so, but as currently designed it provides for discretionary grants and I cannot now make any commitments on its development, beyond current provision. Similarly, there is no need to be explicit about the coverage of labour costs, when the scheme is not finalised and we do not know whether they, too, will need a subsidy.

3. I am broadly content with your proposed Parliamentary answer, but in line with the points made above, I would like to suggest that the second sentence of the second paragraph be redrafted to read "Grants towards the costs of draught-proofing, loft, tank and pipe insulation will be available under the legislation".

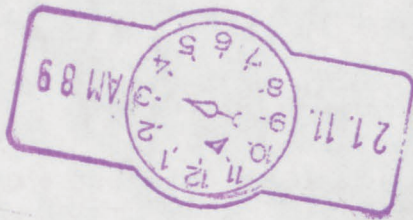
4. As far as the administration of the scheme is concerned I would be very glad if your officials could involve mine fully in the detailed design, since as well as the points I raised previously, I am also concerned at how it is to be audited.

CONFIDENTIAL

5. Copies of this letter go to the Prime Minister, Geoffrey Howe, Kenneth Clarke, Norman Fowler, Richard Needham, Tony Newton, Chris Patten, Malcolm Rifkind, and Peter Walker.



NORMAN LAMONT



CONFIDENTIAL

THE RT HON JOHN WAKEHAM MP



Department of Energy
1 Palace Street
London SW1E 5HE
01 238 3290

MBM at his desk.

*Rec 6
20/11*

The Rt Hon Norman Lamont MP
Chief Secretary
H M Treasury
Parliament Street
LONDON
SW1P 3AG

20 November 1989

Dear Norman

LOW INCOME HOUSEHOLDS: GRANTS FOR INSULATION

Thank you for your agreement to the transfer of Energy Grant Provision from the Department of Employment and provision for the Homes Insulation Scheme in Scotland to finance my proposed new insulation grants scheme. Our officials are in contact on the precise figures involved. As you may have heard, agreement has now been reached on inclusion of the necessary powers in the forthcoming Social Security Bill.

My officials have written to yours on the assumptions and targets necessary to enable the scheme to operate within the sums to be transferred. I accept, of course, the need to avoid any commitment to the scheme operating at levels of expenditure beyond those for which I have provision. Nevertheless it will be essential on presentational grounds when taking powers for the new scheme to be able to make clear that this is not simply a device for re-channeling money which were anyway due to be spent on energy efficiency measures. To ensure we obtain full credit for the new scheme I will need to be able to present it as offering greater availability of assistance and to give an indication of the levels of homes to be treated which I hope it will reach in due course. Any such statement will need to be subject to the caveat that the actual level of homes to be treated in any year will depend on the resources I can make available, but I believe that it would be a serious mistake for that caveat to be so prominent as to risk debate focussing unhelpfully on resource issues.

CONFIDENTIAL

CONFIDENTIAL



You also expressed concern over possible invasion of privacy which might be associated with 'block' schemes. It will certainly be essential to ensure that the detailed administrative arrangements for the scheme provide adequate safeguards against invasion of privacy. But there is a considerable advantage in terms of administrative efficiency in arrangements such as that under which Energy Grant presently operates which avoid the need for individual prior applications from eligible householders.

There might be still greater advantage if it were possible to make arrangements which involved an element of price competition between alternative suppliers. I suggest that my officials consult with yours further on these schemes when they are in a position to discuss their proposals in greater detail.

The next step is for me to make an announcement to enable my officials to begin consultation with selected organisations outside Government on the details of the proposed scheme. I propose to do this by means of a Parliamentary Answer plus press release which I should like to put out shortly after the Queen's Speech, on 22 November. As you will see from the enclosed text, I do not propose to say anything at this stage on the financing of the scheme. Unless I hear from colleagues before noon on 21 November I will take it that the proposed statement causes no difficulty.

Copies of this letter to recipients of yours, to the Lord President and to Richard Needham.

JOHN WAKEHAM

A handwritten signature in dark ink, appearing to read 'John Wakeham', written in a cursive style.

A second handwritten signature in dark ink, appearing to read 'John Wakeham', written in a cursive style.

CONFIDENTIAL



**NEW SCHEME FOR GRANTS FOR INSULATION IN LOW INCOME HOUSEHOLDS:
ARRANGED PARLIAMENTARY ANSWER**

Proposed Question

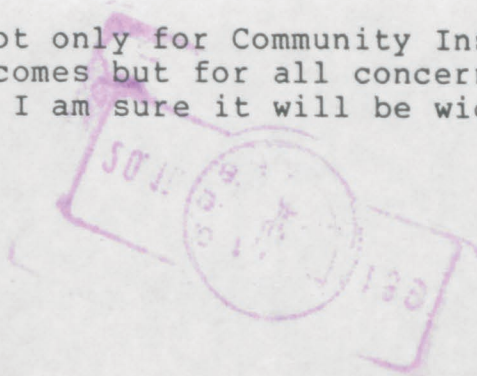
Will the Secretary of State for Energy confirm the Government's commitment to helping the least well off to improve their energy efficiency by introducing new arrangements for supporting the work of Community Insulation Projects?

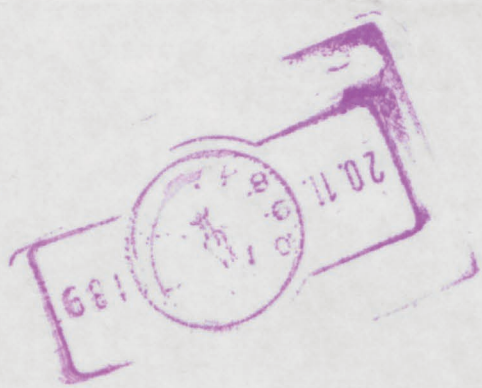
Proposed Answer

Community Insulation Projects play a valuable role in providing basic insulation measures in low income households. My predecessor and I have therefore monitored carefully the impact on the projects of the transition from the Community Programme to Employment Training. Despite the success of the special support measures introduced by my Rt Honourable friend the Secretary of State for Employment during the past year there is now widespread agreement that in today's changed climate of substantially reduced unemployment we cannot continue to rely on training programmes for the unemployed to support a national network of insulation projects. There is an increasing need for projects to develop into community insulation businesses, capable of financing themselves directly through the insulation services they provide.

I hope therefore to include powers in the forthcoming Social Security Bill to enable my Department to introduce a new scheme of grants towards the cost of basic insulation measures in low income households. I propose that these grants should in due course be available towards the cost of both materials and labour for draft proofing and loft, tank and pipe insulation. Details of the proposed scheme, which will cover both owners and tenants in both the public and private sectors, will be announced in due course.

This announcement is good news not only for Community Insulation Projects and for those on low incomes but for all concerned with improving energy efficiency, and I am sure it will be widely welcomed.





FROM: The Rt Hon.



.R1710
ccw.

The Rt Hon. Mrs Margaret Thatcher MP 17 November 1989
The Prime Minister
10 Downing Street
SW1A 2AA

PRIVATE AND
CONFIDENTIAL

Dear Margaret,

You have been admirable and eloquent in connection with the environment in proclaiming our responsibility to future generations. Yet I believe that inadvertently we are damaging future generations by the financial squeeze we are imposing on parents with dependent children.

My paper attached argues that, I am sure without your full awareness, our family policy is perverse inasmuch as our tax system has virtually dismantled the recognition of the costs of rearing a child.

Although we have accepted that such costs exist

- (a) in the case of households with very low incomes, by extending Income Support and Family Credit (at the cost of increasing dependency and poverty traps)

and

- (b) by extra support for single parents,

we have penalised most families with dependent children by removing Child Tax Allowances. The result has been and is a large shift of taxation on to families with dependent children and in favour of the single and the childless.

The issue is, I believe, urgent in the interests of children - and politically. Unless we are seen to shift our ground the Opposition will surely soon attack us on our treatment of the family.

continued



I enclose a paper already published by Patricia Morgan: and a booklet by the National Family Trust - also mainly written by Patricia Morgan - called "Facing Up to Family Income". This booklet was published - very ineffectively in terms of press coverage - a month ago and is to be relaunched - more resonantly they hope - early next year.

The subject of this letter and enclosures is one I take seriously: it is the outcome of the several years of part-time study I have given to so-called "poverty" issues since I retired. If you, John Major and Tony Newton - to whom I am sending copies - think that I am utterly wrong, do please let me know - and give me the chance to see you for a talk. If, however, you and the others agree that we ought to start correcting the trend disclosed in the papers, please just send me word that the analysis is being taken seriously.

Yours as ever .

Kevin

FROM: The Rt Hon. The Lord Joseph CH PC



Prime Minister

PRIVATE AND
CONFIDENTIAL

FAMILY FINANCES

Since retirement I have concerned myself with a few special interests, one of which is "poverty". I have seen successive Ministers - Michael Portillo, Peter Lloyd and John Moore - and had the help of them and their officials in improving my understanding of the deserving and the undeserving.

I'm not entering the Child Benefit argument, nor am I suggesting a demographic policy.

The conclusion I have reached is that - I suspect without your full awareness - we have discriminated sharply against families with dependent children: and, on the other hand, we have been too lax in our efforts to secure maintenance by fathers of the children of single mothers.

1. Conservative opinion on tax recognition of dependent children

Some Conservatives believe that since, under God, people procreate voluntarily, then children are matters of consumer choice: and that the costs of rearing them should be the responsibility of parents. Government should therefore, they say, phase down the recognition in the tax and other systems of the cost of child rearing. Free schools and free health care, they say, subsidy enough.

I do not agree - nor, I suspect, would most Conservatives.

Even if parents do procreate voluntarily children do not choose to be born. They come into existence involuntarily.

continued /Moreover



Moreover those who declare no interest in whether or not the population more or less renews itself seem to take it for granted that enough children will be born and will be well enough brought up in values and skills and behaviour to maintain the expected framework of life, the defence of the country and the support in old age of all, including those who are indifferent.

A nation must renew itself not just physically but socially and culturally. Though there are many exceptions child-rearing tends to be most successful when done by two parents jointly with the mother at home most of the time while the children are young. This is particularly relevant when as in recent years the two-parent family is threatened by so many destructive tendencies. We claim to be the "family party", but it isn't clear that our tax and welfare systems take enough account of the costs of parental responsibilities.

Parental care and education of the young is one of our most important national interests. The health of the family is an almost infallible touchstone of the cultural and material well-being of the people.

2. How has a squeeze on parents with dependent children arisen?

For generations some equity has been maintained between taxpayers with and without dependent children.

In a competitive wage-earning economy children represent a cost to parents. People with and without children earn the same wage so countries have developed arrangements to avoid penalising families. Child tax allowances and family allowances were such an arrangement here. West European countries have systems to secure "horizontal equity" - to ensure parity between living standards of families and their childless peers.



But here the notion of the "taxable surplus" - that income will be taxed in relation to the numbers dependent upon it - has been eroded: the standard of living drops sharply from the arrival of the first baby, the average family losing about £100 per week gross as the wife leaves work just when costs rise:-

- (a) child tax allowances have been withdrawn:
- (b) tax thresholds in real terms have fallen:
- (c) families now pay tax at much below Income Support levels:
- (d) National Insurance contributions have risen:
- (e) personal tax allowances climb while the only tax recognition of the costs of dependent children - tax-free Child Benefit - is frozen, so that the gap against the family and in favour of the childless mounts each time personal tax allowances are raised:
- (f) several subsidised or free services have been withdrawn:
- (g) parents who both work are taxed less than when one stops at home while the children are young:
- (h) the poll tax will penalise many couples as it makes a charge rather than an allowance for adult dependants.

All this has caused a sideways shift of net income from households with dependent children to the childless or whose children have become independent.

3. Our reaction to the squeeze - more on benefit

To mitigate the harm we have perceived to families on low income with dependent children we have extended Income Support and Family Credit. These do help but at the cost of spreading dependency and increasing



those subject to the poverty trap: evidenced by the astonishingly high rate of long-term unemployment among fathers of three or more children.

4. What is the squeeze?

It is families with dependent children who have, I'm sure unintentionally on our part, been the main losers from our policies. It is the childless who have gained.

Taxing incomes without regard to the number dependent on them impoverishes families with dependent children. The DSS provides relief for those worst hit via Family Credit and Income Support to make up for the depredations of the Inland Revenue, National Insurance and, soon, the Community Charge. Nearly half the families in the country will be entitled to means-tested-benefits of one sort or another - with all the dependency, the disincentive and the administration involved.

The extra Family Credit for poor families with children and the extra for single parents is being provided not by the population at large but by other parents through savings on Child Benefit.

There are many families with dependent children who are suffering the squeeze without qualifying for the help given to the poorest among them.

We cannot argue that real incomes have risen so much that families can look after themselves when we are supporting so many incomes precisely because we recognise how hard-pressed they are and when being parents of dependent children is by far the largest reason why people are hard-pressed or poor.

The 1986 Family Expenditure Survey shows that expenditure per person in families with dependent children was £63.50 per week when the mother was working and £46.92 per week when she was not: but in households without dependent children with a working wife the expenditure per person was £98.58



per week. It is not simply that in each income group families do badly compared with the childless because of the burden of dependents, but that families with children are concentrated in the lower income ranges - perhaps understandably - compared with households generally.

Unfortunately the increasing difficulties of parents are hitting families at a time when our child-rearing structure is at risk of falling apart under many pressures: separation: divorce: casual procreation: rising illegitimacy: adolescent mothers: contraceptive saturation that has neither made "every child a wanted child" nor cut the huge abortion rate: child abuse: "cycle of deprivation": family disorganisation linked to behaviour problems, violence, school failures, and such horrors as drugs and crime. The home in many cases may have ceased to be the humanising and civilising framework that it is meant to be.

As the family has weakened, the standard of living of parents compared with non-parents on the same income has toppled. There has been a large transfer of resources from families with dependent children to the single and the childless.

Since 1979 the income of the two-adult household has grown more than twice as fast as that of households of two adults plus two dependent children: and of retired couples four times as fast, by a massive 25%.

Our policies are systematically reducing the recognition of child-rearing costs in our tax system to the point when to be a responsible parent is being increasingly penalised. It is asking much of families to thrive in a hostile framework. Good-enough parenting needs time and money as well as motivation and understanding.



5. What I am **not** arguing and what I am arguing

I'm not arguing that relaxing the squeeze on families with dependent children will automatically lead to better parenting: but I am arguing that at the very least there will be less discouragement of it. After all, our policies indicate that we do think that the tax/benefit framework does have some influence on people's attitudes and behaviour.

I'm not arguing that we ought to raise the tax recognition of the costs of children high enough to encourage more child-birth.

I am arguing that we have - probably inadvertently - gone too far in penalising responsible child-rearing.

I am arguing that we should try to create conditions under which parents stay together: and policies and attitudes that provide approval, security, time and opportunity for child-rearing. This is a product of parental resources and resourcefulness where the quality of a child's environment is to a quite considerable extent determined by family income. Economics appear to have much to do with whether or not families are formed in the first place and maintain their cohesion.

6. What is a cure?

Our large and welcome tax reforms have done much good: but not to the family with dependent children.

The case against raising tax-free Child Benefit is that 20% goes to households earning well and that another 20% goes to families whose means-tested benefits would be cut by any increase in Child Benefit.

It is the group in between these two ends of the spectrum whose child-raising costs need to be recognised.



I suggest - though there may be better ways - that we re-introduce age-related Child Tax Allowances for dependent children - if necessary over several years: this would, I realise, reduce tax revenue. But many will be taken off means-tested benefits and even where they are not, the cost of means-tested benefits will be reduced. I do not suggest curtailing Child Benefit. Other countries have both the equivalents of Child Benefit and of Child Tax Allowances.

True, a wealthy minority with dependent children would receive a bonus. I do not know whether it would be practicable to cut CTAs off at a certain level of income. But I'm not convinced that a policy that would bring relief to millions should be inhibited by a windfall to a relatively small minority.

7. Single parents

Already unmarried mothers receive special benefits - including tax-free, non-means-tested and disregarded One Parent Benefit: the same Family Credit entitlement as a married couple: and exemption from the need to be available for work when on Income Support so that the long-term rate is payable.

It is perhaps time to consider more help to 2-parent families during the difficult period of child-rearing.

An unfair burden on taxpayers and an encouragement to irresponsibility is the escape of many fathers of children born to single mothers from any liability for maintenance.

8. Mothers at home (at least while children are young)

If child-rearing by families is to be encouraged there is a case for giving mothers more choice and enabling them not to go out to work and certainly not full-time. Parents should not have, because of



taxation, to choose between low income or working non-social hours - with one parent going to work as the other comes home.

The feminist lobby and the EOC constantly seek to diminish the respect given to women as mothers. And employers will be avid to recruit married women. To offset these pressures I suggest that we should:-

- (a) emphasise the service women perform with their husbands in rearing children:
- (b) not provide taxpayers' money for crèches where parents leave their children in the care of third parties:
- (c) treat one-earner couples with dependent children at least as well as we treat single parents:

and

- (d) reconsider the transferable tax allowance enthusiastically praised in the Government's 1986 White Paper "The Reform of Personal Taxation" but rejected by Nigel Lawson in his 1988 budget. Such a transferable system would increase the tax allowances available to one-earner couples to the level of those for two-earner couples, lifting many out of means-testing and poverty traps. To reject the transferable allowance because of the privacy of the wife's earnings seems an inadequate reason for rejecting what would transform the option of parents.

9. Conclusion

I suggest that our "family policy" appears at best piecemeal and half-hearted and must seem a mockery to those who are squeezed by present policies.

There is no way in which we can guarantee good-enough parenting, but we can ease the present fiscal discouragement of it. If we did, we might have less juvenile crime, better school motivation and smaller cycles of disadvantage.

KJ.

The erosion of the family

by Patricia Morgan

THE Government is currently in a self-congratulatory mood about the economic performance of the UK in relation to America and the rest of the developed world. However, if we look at ourselves as an anthropologist might — as a people who cannot reproduce themselves, and whose child-rearing structure is falling apart, we ought to be deeply troubled.

For, all indicators suggest an accelerating decay of the traditional family unit and a relative paucity of children. On present showing, about 20% of children in Britain will experience family break-up by the age of 16, and one in eight before the age of 10. Children are involved in divorce at progressively earlier ages with the tendency for the duration of marriages to decline. As the divorce rate rises, the marriage rate has fallen. Moreover, at the same time as legitimate births have decreased by nearly a third in 20 years, illegitimate births have risen rapidly, so that one in five babies is now born out of wedlock. A majority of children born to under 20s are now illegitimate.

Overall, fertility rates have remained well below replacement level (of about 2.1) for more than a decade, and look like declining further. The fertility rate fluctuates around 1.7, but is down to 1.4 for younger age groups, where greater proportions of women intend to remain childless.

Illegitimacy rise

Of course, the number of joint registrations of illegitimate children has grown, giving rise to official optimism that they are born into 'stable unions' and all is right with the world. However, this ignores the fact that two parent families based on cohabitation are far less enduring than those based on marriage and, by age ten, 40% of 'informal' fathers have dropped out of children's lives.

Interestingly, as birth rates fall, increasing proportions of conceptions are aborted. 'Contraceptive saturation' has done nothing to depress the abortion rate and neither has it fulfilled the promise of 'making every child a wanted child'. Indeed, it seems that children have never been more unwanted, whether before conception, during gestation and after birth. The decreasing numbers of British children are beset with more problems, as they commit more crimes, get more abused, sniff more glue, take more drugs, drink more alcohol; are more likely to go into care in their early years and onto the streets as 'single-homeless' in their teens.

As literally hundreds of investigations testify, the almost omnipresent overriding factor accompanying all manner of behaviour disorders, intellectual failure and social pathology, is family disorganisation. There is both a steady decrease in the numbers of adults involved with children, or available to care for them, and a general decline in all spheres of interaction between parent and child. With one in three or more 'families' in the inner cities having only one parent, commentators are not far from the truth when they report that working class family life has more or less collapsed in some areas, with the consequent "loss of regular contact with caring adults, family culture and tradition" and the demise of the home as a "humanising and socialising unit" (Liverpool Priority Area Project). In contrast, other societies around the world, where there are fewer broken families and even fewer broken children, have managed to preserve the cohesion of small groups like the family.

The way in which family fortunes have toppled the whole length of the income scale has radically altered the population on means tested benefits ... More than a quarter of our children are now living in families that are below, on, or near supplementary benefit level.

As the family has fragmented, so there has also been a marked decline in the standard of living of parents compared with non-parents. While it can be traced back several decades, this has accelerated tremendously in the last ten years, during which there has been an enormous transfer of resources from families with children to the single and childless. Between 1979 and 1985, the income of two adult households has grown *twice as fast* on average as that of households of two adults and two children. That of retired couples has grown *five times as fast* (by a massive 25%).

One of the reasons for this is that tax thresholds have been outstripped by inflation and any compensatory adjustments which have occurred have been absorbed by higher national insurance contributions (particularly at lower wage levels). Currently, a two child family is likely to have a standard of living half that of a single person on the same wage. In short, it is families who have been the

primary losers from the welfare state. They would now be far better off if the pre-war relativities were restored.

More households pay tax for the first time, but this vertical shift has been unequal since there has been a horizontal shift of taxation onto those responsible for rearing a new generation. Child tax allowances were abolished by the Callaghan Government, and the Child Benefit which replaced these (*and Family Allowances*), is now worth less than at any time since it was introduced. It is the only remaining vestige of attempts which go back to the days of Peel to maintain some equity between taxpayers with and without children. It was based on the notion of the *taxable surplus* — that incomes should be taxed in relation to the numbers dependent upon them, partly with the very practical end in mind of keeping people with dependents off poor relief. As such, it was one of many adjustments which were made to protect the family in a competitive wage-earning economy where, unlike peasant societies, children represent a tremendous cost, rather than an economic asset, to their parents. Otherwise, since a bachelor and the man with a wife and children both receive the same wage, married couples face a drastic 'standard of living' penalty' which militates against the formation of homes.

Wrong move

However, the present Government has now frozen Child Benefit, with an eye to its abolition, as it has moved from the principle of *family equity*, or the *taxable surplus*, to that of *individual equity*, which dictates that every individual with the same income be treated alike. This means 'across the board' tax cuts rather than adjustments for individual responsibilities — on the premise that it is irrelevant whether a man 'chooses' to spend his money on holidays, compact discs, his wardrobe or supporting a family of children. Yet, parents are already the biggest losers from transfers and taxes, paying more than the value of the services they receive. (Even if we wanted to reduce the total tax payments to their 1979 level, the Budget would have to have cut the basic rate by about 2.1 for a single person, but 5.1 for a married man with children.)

The way in which family fortunes have toppled the whole length of the income scale has radically altered the population on means-tested benefits. This has grown considerably and is now dominated by working and unemployed families with children. *More than a quarter of our*

Freedom Today, June 1988

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Encouraging the family should appeal to Mrs Thatcher.

children are now living in families that are below, on, or near supplementary benefit level. Many low paid workers on means-tested benefits pay tax, and it is principally one-earner families that are caught in the poverty and unemployment traps which arise when all or a large part of any gains in earnings are confiscated through increased taxation. Cutting the tax rate does nothing to lift poor families out of tax, since it is unrelated to responsibilities and maintains the relative advantage of non-parents.

If incomes are increasingly unadapted to the numbers dependent upon them, families are inevitably going to be massively pauperised, with the DHSS charged with the task of making up the depredations of the Inland Revenue, National Insurance and now, the poll tax (or community charge). Another problem is that poor families have been assisted, not by the population at large, or those without the present charge of children, but other parents. Thus, Child Benefit money is increasingly diverted or 'targeted' into poor relief — to counteract the poverty that would not have arisen if family support in this and other forms had not been withdrawn or restricted in the first place, and a plethora of charges imposed on parents.

Along with the development of means-tested relief for those at the bottom, Government policy on the family has also been to 'target' resources onto its 'casualties' — e.g. one parent families, which have been even more decisively underwritten since the Fowler shake-up of benefits. Thus at all income levels, the single wage two parent family obtains

fewer compensatory adjustments in terms of tax relief and benefits to keep more people.

The 1988 Budget does nothing to alter this, even if it ends many of the glaring advantages of cohabitation vis-a-vis marriage — which meant cohabittees with children drawing two marriage allowances as well as two helpings of mortgage tax relief, while the children were entitled to full personal tax allowances against their father's income. But, most important, nothing has been done for the one-earner couple. Independent taxation for married women simply changes the title of the Married Man's Allowance to the Married Couple's Allowance — maintaining the hefty tax discrimination against one-earner couples, who only get 1½ tax allowances as against the two-earner couple's 2½.

... recent changes in family law have ... largely emptied marriage of significance.

Originally, the Government's *Green Paper on the Reform of Personal Taxation* had proposed fully transferable personal tax allowances. These, it emphasised, would be a tremendous help to couples just at the time when their expenses were highest and earning capacities restricted by the care of children. They would also do much to lift parents off means-tested benefits and out of the poverty and unemployment traps. But, sadly, help for child rearing and family life has been overridden by a powerful alliance of market imperatives

with feminism (funded by the Government — particularly in the shape of the Equal Opportunities Commission), to drive mothers out to work. That wives will no longer be taxed on the first penny of any investment income (which will be set against their personal allowance, rather than their husband's income), is a long overdue measure which may do something to enhance the battered status of marriage. But, at the same time, it underlines how much this was a DINKS (double income: no kids) budget, which encourages couples to combine in marriage to accumulate wealth, not raise children. The discount on that — in a year in which the Government has raised taxation for parents, but lowered it everywhere else — could not be clearer.

In contrast, the single mother on benefit enjoys the special high 'client' rate which also absolves her from having to be available for work. With the Fowler reforms, single mothers under 25 also draw higher benefits than their age peers. When the cost of a man's keep is taken into account, then it is obvious that it is particularly women in areas of low male wages and unemployment who are best placed to make a net gain by not having a man (officially) around. In all this, the welfare system obviates and deters male provision for families. **Imposing double charges on couples, the poll tax will also bring a negative dowry to any man whose partner might leave work to raise children.**

At the same time, of course, recent changes in family law have casualised men's relationships to children, removed social support from parenthood and

Continued on page 8

Patricia Morgan

continued from page 7

largely emptied marriage of significance. In hard-line feminist terms, the family has been 'deconstructed'. Thus, last year's Family Law Reform Act removed the rule of legitimacy which, in all times and places, has decreed that the human family is a social unit which includes a male as well as a female. In turn, the Matrimonial and Family Proceedings Act of 1984 allowed divorce after one year of marriage, with 'clean breaks' from financial responsibility for former homes. In 1985, the important Matrimonial Causes Procedure (Booth) Committee emphasised that 'irretrievable breakdown' must be understood simply as the desire of either party for a divorce, which must be furthered as "expeditiously and inexpensively" as possible. The "major mischief" of divorce was identified as the "delays and difficulties in achieving finality".

The decay of the family, to which all these measures have contributed, needs to be considered in a wider political and philosophical context.

It is typically socialist command economies, where there is extensive intrusion of the state into the market, or its replacement by centralised planning, that make public provision for individual welfare. In contrast, market economies, where the state has a far more limited role, have tended to emphasise self and mutual help as the source of welfare. *But, in this, the minimal state depends upon the viability of secondary social institutions, like the family, if widespread problems of order and dependency are not going to be left on its doorstep. Yet, while market economies are associated with personal*

Would sanctions help to get rid of apartheid in South Africa? I don't think so. Nor do black South African miners. Seventy per cent are against the economic boycott, according to a major survey.

Three quarters of the miners thought that a boycott would hit them hard personally. * * *

One frank speaker is Ray Whitney MP, former Health Minister who, in his Foreign Office days, stood up to the Chinese Cultural Revolution mobs with great courage. At one time, the Chinese allowed their Communist foreigners to assault the British Embassy.

Ray Whitney had to watch while the paintings were smashed and a Hampstead-style Mrs. Dutt-Pauker chanted, 'Down with the British Imperialists', in a strangulated upper-class voice.

Whitney has now produced a sharp and stimulating book on the NHS (*National Health Crisis . . . a modern solution; Shephard Walwyn, £4.95*). He argues for a National Health Authority, independent of the Government,

provision, the arrangements which enable people to care competently for themselves and others are not, as seems to be assumed by many devotees of the free market, simply the spontaneous outcome of competing equals in the marketplace. People can provide for their own, but if they are to have the capacity and motivation to do so, numerous adaptations and allowances have to be made which encourage mutual assistance, and the institutions in which this takes place have to receive special protection. In other words, there has to be 'affirmative action' to ensure that it is both possible and worthwhile to care for one another in ways which are self-sustaining and self-perpetuating.

A challenge

The refusal of the Government to recognise that its actions have an impact on the family is combined with an obliviousness to the far reaching economic costs involved in the loosening and breaking of relationships, which extend from policing to education. There is a failure to understand the role that institutions like the family have to play in any 'cost effectiveness' or 'rolling back of the state'. All questions have been avoided about the circumstances in which people provide for each other, as distinct from those which foster reliance on public provision of all kinds.

This means that there is no appreciation of the fact that the bulk of welfare and order — is provided by the family, and thus no inkling that family stability might be a public good.

Human beings, especially the more vulnerable members of society, were hardly meant to live alone and sooner or later they have to rely on the help of others. "Man" as Adam Smith announced ". . . can subsist only in society . . . All the members of human society stand in need of each other's assistance and are likewise exposed to mutual injuries". But, if that help is not provided by those we know, it has to come from expensive professional

services. It is therefore more rational to provide incentives to stay together, instead of imposing extra costs on households as they absorb more people.

The tendency for more people to live alone, without children, creates extra demand for housing and also makes it less likely that they can deal with their own or their aged parents' crises. Similarly, the disruption of children's obligations towards parents caused by divorce will increase the dependence of the elderly on non-family providers of care. It is also inevitable that any increase in one-person households and one parent families means more children at risk of poor care and more demand for institutional provision. Since it costs upwards of £250 a week to keep a child in care, a reduction in the rates of marital breakdown and the numbers of children born out of wedlock would be economically beneficial by reducing the numbers coming into care. All in all, marriage and parental investment are bargains for the state, since they are the most inexpensive and efficient way of providing for the support of children and those looking after them.

Fortunately, leading Tories are now unambiguously insisting that crime is a matter of values and that a revival of moral constraints is essential to halt its inexorable climb. But there is a failure to progress to the second stage and to see that the reassertion of what Mr Hurd calls those "normal restraints and shared values that bind society together" requires that those institutions, like the family, which transmit and uphold them, are not weakened. Necessary changes in behaviour require the consolidation and rebuilding of the relationships through which law-abiding habits are inculcated and maintained, yet policies in the fields of family law and local and national taxation, place ever more emphasis on atomisation and the severance of ties. In so doing, they massively affirm — not just family — but social, dissolution.

Patricia Morgan is the author of *Delinquent Fantasies & other works*.

YORICK

which could bring the medical, nursing and related professions together.

He points out that NHS, local authority and DHSS budgets overlap expensively. And yet, in some services, there is a gap, especially for the chronic sick and elderly.

Ray Whitney is a voucher man. So far I'm not convinced. I think that the bulk of the public would dislike or be confused by it — including me.

* * *

News about the Soviet domination of Afghanistan has tended to shut out the story of the Soviet domination of Ethiopia. Here again, it is delightful to find people who have the courage to fight back against overwhelming odds in the cause of freedom.

In recent months, a secret radio has been beaming loud and clear into Addis Abbaba. It has been critical of the Marxist regime and has been

thoroughly upsetting them.

The Government has been trying to eliminate the service — but without success. It is being run by the Ethiopian People's Democratic Alliance, which is represented in London.

They badly need money for the secret radio service and for other things. Anyone who wants to help with cash can send it to the Ethiopian People's Democratic Alliance; PO Box. 4025, London WC1N 3XX.

* * *

It was good to see the end of the highly corrupt boss of Unesco, Mr. M'Bow. His successor, Professor Federico Mayor, a Spaniard, is proving a sad disappointment.

He matches his words to his audiences, to some, he talks about bringing changes to Unesco and opposing M'Bow's 'New World Information Order', which would destroy the free flow of information. To Africans and others he says he will support the programme and make no changes.

It is vital that the UK and the USA do not come back into Unesco until matters are put right.

Freedom Today, June 1988

PRIME MINISTER

CHILD BENEFIT: CHILD TAX ALLOWANCES

You have agreed at some time in the future to talk to Mr Newton about the future of child benefit. There is no hurry about this, indeed it may be best left until after the child benefit freeze has been got through the House and possibly until after the next Budget. But you may be interested to know that references to child tax allowances have been growing. There is a report in today's Today and the Centre for Policy Studies was reported over the weekend to be interested.

The most significant development is an article attached by Frank Field in the Independent last week. He has for long been a staunch supporter of child benefit from his days as Secretary of the Child Poverty Action Group. Although child benefit remains his first choice he demonstrates that the case for child tax allowances is much stronger than it was when child benefit was introduced fifteen years ago.

AT

Good!

nt

Andrew Turnbull

6 November 1989

c:child(MJ)

Bring back allowances

Frank Field gives his response to the freezing of child benefit

THE FREEZING of child benefit by Tony Newton, Secretary of State for Social Security, was presented as part of a clever political package. What is 50p on child benefit when so many disabled people will benefit instead? However, the package presents a fundamental challenge to the opposition and the poverty lobby in their campaign for child benefit.

Freezing child benefit for the third year running has cut its value by a fifth. Are the opposition and the poverty lobby going to be content with merely denouncing the government line? I believe they should open up a new front which offers the chance of delivering financial help to families. The reintroduction of child tax allowances (CTAs) offers both the prospect of delivering additional cash to families, and the real possibility of winning approval on the Tory back-benches.

Of course child tax allowances are not as good as child benefit, which is one of the most effective weapons against child poverty. It helps practically every family, with nearly 100 per cent take-up. It is paid to the mother and this is still important: in too many families fathers are reluctant to hand over enough housekeeping. It is also an effective way of increasing incentives to work. But an increase in child benefit is not on offer in this Parliament.

Some critics may argue that reintroducing CTAs would be a retrograde step. But the times have changed. One reason for the move away from tax allowances 10 years ago was that not all working families benefited. Moreover, because tax allow-

ances are claimed at the taxpayers' marginal rates, richer families gained most help.

Now, as a result of changes in taxation, practically all working families with children pay tax, earning enough to set the value of a new child tax allowance against their tax liability. The House of Commons library calculated for me that only 200,000-300,000 families have incomes from work too low to benefit. And the allowance could be limited to the standard rate of tax: richer and poorer families would then gain the same level of help.

It is true that while child benefit is invariably claimed by the mother, few mothers were able to claim the old child tax allowance. But next year sees the introduction of individual taxation for husbands and wives. Many more mothers are working now than 10 years ago, and they would have the right to claim the new allowance.

A new CTA would also match child benefit in increasing incentives to work. Child benefit is paid to all families but deducted from welfare payments for those unable to work. Thus, the greater the value of child benefits the higher the families' income when in work. Child tax allowances would have the same effect. They would only benefit parents in work. They would reduce the family's tax liability and thereby increase their net income. The larger the tax allowance the greater a family's net income in work compared with welfare payments.

The aim is not, however, to make CTAs permanent. It is to find a strategy to win large-scale support on the government side

for raising family income relative to childless taxpayers.

A child benefit freeze has invariably followed a budget which has made generous increases in the full range of personal tax allowances. Tory MPs have been quick to point out that the Government would not be able to hold the line in discriminating against taxpayers with children (for that is what a child benefit freeze means) if there was a vote on an increase in child tax allowances. Indeed the Government knows this and would easily give way.

That is why the reintroduction of CTAs is now an urgent priority. A tranche of money in the child tax allowance kitty would widen the scope for an incoming Labour government. A new Secretary of State for Social Security would not have to face the task of arguing for new resources for increasing child benefit from the Chancellor. The new Secretary of State would immediately be able to transfer the value of the tax allowances back into the child benefit scheme.

For the opposition and the poverty lobby to continue campaigning for a rise in child benefit — in face of all the evidence that the Government will not concede — would be gesture politics of the worst sort. The job of the opposition is not merely to embarrass the Government. It is to deliver success to its supporters while awaiting the sound of the starting gun for the next election.

The author is chairman of the Commons Social Services Select Committee and Labour MP for Birkenhead.

CONFIDENTIAL

PM



cl. Scott

10 DOWNING STREET

apu

LONDON SW1A 2AA

From the Private Secretary

2 November 1989

Dear Ivan,

COMMUNITY CARE: BENEFIT ARRANGEMENTS AFTER APRIL 1991

The Prime Minister has seen your Minister's letter of 1 November to the Chief Secretary. She continues to have concerns about the proposed arrangements for preserved income support set out in paragraph 2 of his letter and the revised draft of chapter 9 of the White Paper. She thinks that any reference in the White Paper to a possible future review of the preserved entitlement for those people in residential care who are currently supporting themselves will give rise to all kinds of fears. She therefore thinks there should be an unequivocal commitment to preserved rights for all existing residents. This would seem to point to deleting the last two sentences of the revised version of paragraph 9.3 of the White Paper.

I am copying this letter to Steve Catling (Lord President's Office), Andy McKeon (Department of Health), Roger Bright (Department of the Environment), Jim Gallagher (Scottish Office), Stephen Williams (Welsh Office), Stephen Leach (Northern Ireland Office), Carys Evans (Chief Secretary's Office) and Trevor Woolley (Cabinet Office).

Yours,
Paul Gray

PAUL GRAY

Ivan Rogers, Esq.,
Office of the Minister for Social Security.

CONFIDENTIAL

PRIME MINISTER

COMMUNITY CARE: PRESERVED INCOME SUPPORT ARRANGEMENTS

Last week you saw the latest papers on the detailed community care package. You were concerned that there should be no limits on future access to income support for people currently in residential care homes, whether or not they are currently claiming income support.

Nicholas Scott has now sent round a further letter (flag A) commenting on this and other aspects. I think you can leave most of the other points raised to be sorted out with the Treasury. But you will want to consider what is said in paragraph 2 of the letter about preserved income support together with the attached redraft of the relevant section of the White Paper.

Richard Wilson's note at flag B provides advice on the preserved rights issue. Rather than my seeking to summarise the issues, I suggest you read through his minute. The issues are:

- are you content that there should be a reference in the White Paper to a possible future review of the preserved entitlement for those people in residential care who are currently supporting themselves?
- content to urge that the drafting ambiguity identified in paragraph 6 of Richard Wilson's minute is resolved?

No - it will raise all kinds of fears.

This does not amount to there is no review.

pp. Di...

mf

PAUL GRAY

1 November 1989

C:\wpdocs\economic\care.pmm



The Rt Hon Norman Lamont MP
Chief Secretary
HM Treasury
Treasury Chambers
Parliament St
LONDON SW1

- 1 NOV 1989

Dear Chief Secretary

COMMUNITY CARE: BENEFIT ARRANGEMENTS AFTER APRIL 1991

Thank you for your letter of 30 October about proposals for the benefit arrangements after April 1991.

Preserved Income Support

2. You will have seen the letter from the Prime Minister's office of 27 October. We are not now proposing a time limit by which existing claimants or residents of homes will have to claim Income Support. Although existing claimants-in non-registered small homes in April 1991 will be covered by these arrangements, residents in those homes not claiming benefit at the time of the change will be excluded, as agreed. We will of course keep the scheme under review. This will be set out in the White Paper, and I attach the revised draft of the relevant paragraphs of Chapter 9.

Avoiding Hard Cases

3. Kenneth Clarke is considering, at our suggestion, a compromise on this and will be writing separately. The approach would involve him ensuring that the powers in his Bill would enable them to provide by regulations for the topping up of preserved cases should we decide in the light of experience of the new arrangements that this is needed to deal with any hard cases. Ken will want to make it clear publicly that there will be no topping-up at the outset of the new arrangements but that the situation will be kept under review. We would not mention this in the White Paper but we will need to cover the point in defensive briefing.

Disability Benefits

4. I should first of all make clear that whatever we do in this area there is no real question of double provision. Any care benefits will in principle be available towards the fees charged by homes via the LA means test. I would also point out that the remit we were given at an earlier stage was to avoid making changes to the benefit system unless it was absolutely essential. This is the approach we have tried to adopt.
5. The new scheme will not allow for AA to be paid to people in independent homes because the higher levels of Income Support payable currently have AA offset. After April 1991, only basic Income Support (and Housing Benefit) will be payable to these residents and the costs of care will be met by local authorities. Our proposals do include withdrawal of AA for both war and industrial injuries pensioners where they would otherwise receive it. However, the special benefits paid to these pensioners remain in payment. At present Constant Attendance Allowance is taken into account in assessing Income Support for war and industrial injuries pensioners in homes but only up to the level of higher rate AA. They retain the amount by which their preferential CAA exceeds higher rate of AA. For consistency, and to avoid a great deal of political controversy, these preferences have to remain and to keep these benefits in payment in toto is the only rational way of achieving this. Local authorities could however use these additional sums payable when means testing such pensioners. This is primarily a matter for Ken Clarke. It would be very difficult politically to remove these preferences, particularly for war pensioners. I understand that officials are considering whether some sort of preference should be reflected in the new arrangements as of course they feature in Income Support and Housing Benefit. This does need further thought but is not a first order question for the White Paper.
6. As I have already mentioned, there will be no real double provision towards care costs if AA remains in payment to people in homes; there will therefore be no double provision in allowing AA to remain in payment to all new residents for their first four weeks. In principle, this will be taken into account by Local Authorities. However, I understand that DH are considering whether to allow an easement in the case of people going into homes for very short periods of respite care, because of the administrative difficulties. Again, this is not something that needs to be resolved immediately.
7. I cannot agree with your approach on Mobility Allowance. We are, in line with our remit, deliberately keeping benefit changes to a minimum. In any case this is a complex matter with wider ramifications and is not directly related to the new funding arrangements as of course Mob A is not offset against IS at

present. This is not therefore an issue we want to address in this White Paper. I will however be looking at this whole problem in the longer term - including the related question of payment to people in hospitals.

Independent Living Fund

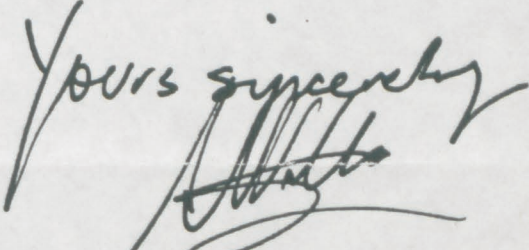
8. I am also unable to agree to your suggestion on the ILF. Although the current PES provision for the ILF is on the basis you describe, the way ahead for the ILF in the light of community care and, indeed, the disability review is far from clear. Until we have resolved the way in which local authorities will implement and conduct their new role in community care it is not possible to be explicit about any handover of caseload from the ILF to the local authorities. And, as was made clear in the earlier papers on the disability review, it remains possible that there will be a small client group to whom assistance could most economically and effectively be targeted through discretionary payments. Until the position becomes clearer and there has been an opportunity for discussion with the ILF Trustees, I am unwilling to make any public commitment on the future of the ILF. I am however content to reinstate in a modified form the thought contained in an earlier draft of the White Paper:

There is clearly an overlap between the Independent Living Fund and the new responsibilities of Local Authorities which will need to be kept under review as experience is gained. Ministers will be consulting the Trustees should it appear that any changes are necessary.

Housing Benefit

9. We have already agreed that my officials would consult Treasury officials on the paper for consultation with the local authority associations.

10. I am copying this letter to the Prime Minister (in view of her interest in the preserved rights arrangements), to Geoffrey Howe, Kenneth Clarke, Chris Patten, Malcolm Rifkind, Peter Walker, Peter Brooke and to Sir Robin Butler.

Yours sincerely


pp NICHOLAS SCOTT

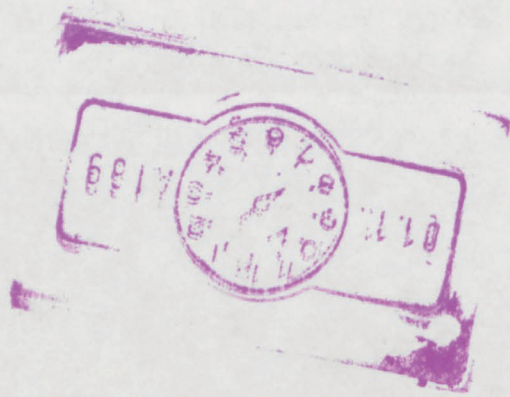
*(Approved by the
Minister and
signed in his absence.)*

CHAPTER NINE: HELP FROM SOCIAL SECURITY

- 9.1 Chapter 8 has outlined the main changes proposed to the way in which social security will be paid to people in independent residential care and nursing homes when the new funding structure is in place. This chapter sets out the Government's proposals for paying benefits to people who are already in homes when the new arrangements come into effect and describes the effects of the new structure on residents' entitlement to social security benefits other than Income Support.

Preserved Rights for Existing Residents

- 9.2 The Government intends to preserve the present scheme of special Income Support limits for existing claimants who are in residential care and nursing homes when the new funding structure is introduced on 1 April 1991. The right to claim Income Support under the preserved scheme will also be safeguarded for residents supporting themselves at that date but who may have recourse subsequently to public financial support.
- 9.3 Access to the preserved scheme will be given if, on 31 March 1991 (the day before the change to the benefit arrangements), a resident or claimant is, or would normally be, living in a residential care or nursing home where the Income Support limits apply. Income Support will continue indefinitely for claimants, including existing residents who subsequently become claimants, whose entitlement in a home is not interrupted. Entitlement will not be affected by a claimant or resident moving home or, in most circumstances, leaving a home altogether for long periods: to go into hospital, for example. The Government will wish to keep under review the length of time for which the rule allowing existing residents to claim assistance under the preserved scheme should continue to operate. But no changes will be made without ensuring that adequate financial support is provided in some other way.
- 9.4 These rules will apply to the residents of all registered homes and to the residents of those homes which are not registerable but are specially catered for in the present Income Support scheme - such as homes run by the Abbeyfield Society or under Royal Charter. Income Support claimants in "small homes" - unregistered homes with fewer than four residents - who are claiming Income Support on 31 March 1991 as if resident in a registered home, will have access to preserved Income Support in exactly the same way as other claimants. However, other residents of small homes who are not claiming Income Support as if resident in a registered home will not have access to preserved Income Support.





MR GRAY

P 03569

COMMUNITY CARE: PRESERVED INCOME SUPPORT ARRANGEMENTS
AFTER APRIL 1991

You asked for advice on the revised proposals on income support in Nicholas Scott's letter of 1 November to the Chief Secretary.

Topping up

2. The point about local authorities topping up preserved income support has now been resolved by the Ministers concerned, as the Prime Minister asked.

Preserved rights

3. On the question of setting a time-limit to preserved rights there are two points which the Prime Minister may wish to note.

4. First, the penultimate sentence of the revised paragraph 9.3 for the White Paper, attached to Mr Scott's letter, envisages that the Government will keep under review the length of time for which people who are supporting themselves in residential care homes on 31 March 1991 but who subsequently need financial support should be able to look to the existing income support arrangements, not local authorities. The question is whether there should be any reference to a review. It may be helpful to summarise the history of this issue.

i. Ministers agreed initially that non-claimants in registered homes on 31 March 1991 who subsequently needed financial support should look to the existing income support arrangements, not to local authorities.

ii. In early October Mr Scott proposed that this preserved right to make new claims should be limited to a period of two years. Any new claims arising after 1 April 1993 would



have to be made to local authorities.

iii. After correspondence with other Ministers Mr Scott revised his proposal to provide an assurance that the preserved right would last for at least five years, although it might be subject to review after that period.

iv The Chief Secretary wrote on 30 October saying that he believed the five-year limit should be a maximum, after which the preserved entitlement to make new claims should be removed.

v. In your letter of 27 October to Mr Clarke's private secretary you recorded the Prime Minister's view that there should be full preserved rights for all those in residential homes on 1 April 1991.

5. Mr Scott's new letter and its attachment remove any mention of the five-year period. But the penultimate sentence of the revised paragraph 9.3 for the White Paper still refers to a review of the preserved entitlement, which may be taken to suggest that it will not be permanent. The Prime Minister will want to consider whether this is acceptable, or whether the reference to a review should be dropped altogether.

6. Second, if the Prime Minister is content with the reference to a review there is a drafting ambiguity, which we understand is unintended, in the wording which needs to be corrected. The penultimate sentence of paragraph 9.3 could be read as meaning that the preserved entitlements of existing claimants will also be subject to review. Our understanding is that the sentence is intended to refer only to residents who are not claimants on 31 March 1991. The Prime Minister will probably wish this to be clarified.



Disability benefits

7. Finally, Mr Scott refers to a number of issues which the Treasury have raised about disability benefits, in particular the independent living fund. I imagine the Prime Minister will want the Ministers concerned to seek to resolve these points, as I understand they are trying to do.

AW.

R T J WILSON
Cabinet Office
November 1, 1989



ck
2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref:

Your ref:

NBPM at this stage.

*Acco
v/co*

The Rt Hon John Wakeham MP
Secretary of State
Department of Energy
Thames House South
Millbank
LONDON
SW1P 4QJ

26 October 1989

Dear Secretary of State

clap.
LOW INCOME HOUSEHOLDS: GRANTS FOR INSULATION

In my letter to you of 2 October I said that I strongly supported the principle of the scheme you were proposing but pointed out my concern at the suggestion that the forthcoming Environmental Protection Bill should be used to accommodate the necessary legislation to introduce your proposed new grant scheme for insulation in dwellings occupied by low income households.

It has many attractions and I note that both Malcolm Rifkind and Peter Walker have indicated their support in principle. Although you have my strong support for the principle, I fear I must ask you to consider alternative means to enact your proposals.

When Cabinet approved the Environmental Protection Bill in March our initial estimate of the size was 100 clauses. Inevitably as Parliamentary Counsel has tackled instructions this estimate has had to be revised. In addition, our commitment to deal with the problems of litter and dogs has introduced a major tranche of clauses that we had not counted on in March. I am writing to the Lord President separately about this in view of his letter of 19 October - a copy of which I believe you have seen.



Social Services -
Meeting of Benefits P.S.

I have considered your proposals carefully and taken Counsel's advice on how I could accommodate them without extending the scope and size of the Bill. The short answer is that while the scheme does have clear environmental protection overtones in terms of the indirect effect of increasing the efficient use of energy, it is equally likely to be viewed as an energy, housing or social matter. On this basis to include it in an environmental protection Bill would broaden the scope to the point where we would be open to a wide range of amendments on aspects of energy, housing and social policy.

With the Housing and Local Government Bill nearly behind us I am even more acutely aware of the importance of adhering to Geoffrey Howe's request to resist firmly new topics which would extend the scope of the Bill; it is already clear that we will have to deal with amendments on an extremely wide range of environmental subjects not strictly related to the provisions in the Bill.

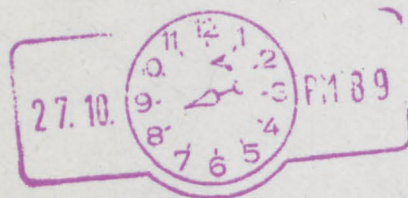
I am sorry that for these reasons I see real difficulties in proceeding as you would like - and as I would like - in ideal circumstances.

I am copying this letter to the Prime Minister, Geoffrey Howe, Norman Fowler, Malcolm Rifkind, Peter Walker, Tony Newton, Kenneth Clarke, David Waddington, Norman Lamont, Bertie Denham, Sir Robin Butler and First Parliamentary Counsel.

CE J Bush

PP CHRIS PATTEN

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



JW1135t

RA

SOCIAL SECURITY UPDATING

With permission, Mr Speaker, I wish to make a statement about the updating of Social Security Benefits. The necessary statutory instrument, which will bring my proposals into effect, will be laid before both Houses and debated. Updating will take place for most Benefits in the week beginning 9 April next year, the first full week in the tax year. The provisions will apply to both Great Britain and Northern Ireland.

I turn first to the main National Insurance Benefits. As the House knows, the increase in the Retail Prices Index for the year to September 1989, which is the most up-to-date indicator available at the time when the up-rating process has to start, is 7.6 per cent.

Our commitment to raise the basic Pension in line with that figure will again be fully carried out. It will therefore rise by £3.30 a week for a single person, from £43.60 to £46.90, and by £5.30 a week for a couple, from £69.80 to £75.10. The same percentage increase will also be applied to other National Insurance Benefits including Widows' Pensions, to Public Service Pensions, to Industrial Injuries Benefits, and to the War Pensions scheme - though in this last case with some exceptions, where I propose larger increases to which I will come later in my statement. Unemployment Benefit will go up from £34.70 to £37.35 for a single person and £56.10 to £60.40 for a couple, and Sickness Benefit from £33.20 to £35.70 for a single person and £53.75 to £57.80 for a couple.

So far as Statutory Sick Pay paid through employers is concerned, the welcome growth of occupational sick pay schemes, which now cover over 9 people at work out of every 10, means that the rates we set often bear little relation to what individuals actually receive in total sick pay. I intend a limited restructuring of the scheme to make it somewhat simpler to run, while concentrating additional resources more on the lowest paid employees who are generally less likely to be covered by occupational schemes and at the same time make a saving of between £70 and £80 million to the National Insurance Fund. The dividing line between the higher and lower rates, at present £84, will be set at the point where employers contributions rise from 7 per cent to 9 per cent, currently £115. The lower rate of SSP will be increased by rather more than the rate of inflation by £3 to £39.25 and the higher rate by 40p to £52.50. Since the standard rate of Statutory Maternity Pay is the same as the lower Statutory Sick Pay rate, this also has the advantage of bringing about a modest real increased entitlement for about 230,000 women.

Turning to the main long-term Sickness and Disability Benefits, Invalidity Benefit will, as usual, go up in line with Retirement Pension. The associated Invalidity Allowances will rise by 7.6 per cent, except for a marginally greater increase in the highest rate to take it to £10. Severe Disablement Allowance and Invalid Care Allowance will both go from £26.20 to £28.20; Mobility Allowance, now helping over $\frac{1}{2}$ a million people compared with only about 100,000 ten years ago, from £24.40 to £26.25; and Attendance Allowance, now helping over $\frac{3}{4}$ of a million compared with only about $\frac{1}{4}$ million ten years ago, from £23.30 to £25.05 at the lower rate and £34.90 to £37.55 at the higher rate.

I turn now to the income-related benefits - Income Support, Housing Benefit, Community Charge Benefit and Family Credit. The index applied here is the Retail Prices Index less housing costs. The use of this index simply reflects the fact that, for those in receipt of such benefits, housing costs are taken into account in their Housing Benefit itself or through help with mortgage interest.

The increase in this index in the year to September 1989 is 5.2 per cent. The main rates of income-related benefits will be uprated accordingly. The rate for a single person over 25 will go to £36.70, the rate for a single person aged 18-24 to £28.80, and the rate for a couple, where one or both are over 18, to twice that, at £57.60. That figure will also be the threshold for calculating Family Credit. Again with some exceptions where I propose somewhat larger increases, the premiums will be increased, for example taking the extra payment for pensioners to £11.80 for over 60s, £14.40 for the over 75s, and £17.05 for the over 80s.

Mr Speaker, the general uprating I have so far described will add over £2¹/₂ billion to my Department's programme. Separately, we have already implemented two measures this month, to abolish the pensioners' earnings rule and to increase benefits for disabled and older pensioners on Income Support and Housing Benefit, costing nearly £600 million next year. In the remainder of this statement I will detail proposals which will increase expenditure on residential care and nursing homes costing about £100 million and additional measures amounting to around another £200 million in a full year. These measures will help three groups whose priority is, I believe, recognised in all parts of the House; the less well-off pensioners; low-income families with children, including many lone parents; and the long-term sick and disabled, together with those who care so devotedly for them.

Before describing those measures - and there are some twenty of them - I should make it clear that, against the background of additional expenditure on that scale for these priority groups, I am not able to propose an increase in Child Benefit as well. In coming to that conclusion, I have taken account of the fact that an increase in Child Benefit of itself does nothing for the least well-off - indeed it helps only those who do not receive Income Support and Family Credit. I have also taken account of the fact that the take-home pay for those on average male earnings has already increased in the past year by some £16 a week, and will have been further increased by up to £3 a week for the great majority of families as a result of

this months reduction in national insurance contributions - indeed more where both partners are working. The introduction of independent taxation next April will bring further improvements for many. In these circumstances, I think it right to concentrate extra help from social security on others.

In this context, I take first the less well-off families receiving Family Credit or Income Support. They will of course receive, through the up-rating of income-related benefits, the same amount as they would have gained from any general Child Benefit increase, at a cost of around £100 million.

In addition to that, and to some increases for disabled children and their families to which I shall come shortly, I am making five other improvements.

The family premium in Income Support will be increased from £6.50 to £7.35, which is 50p a week more than a straightforward up-rating would have entailed. This will of course carry through into extra entitlement to Housing Benefit and Community Charge Benefit also.

The adult credit in Family Credit will be increased from £33.60 to £36.35, which is £1 a week more than would otherwise have occurred and the child credits will be increased so as to compensate fully for the decision not to uprate Child Benefit.

The lone parent premium in Housing Benefit and Community Charge Benefit will be increased by 12.8 per cent from £8.60 to £9.70.

And the amount lone parents can earn without affecting their benefit entitlement will be increased from £15 a week to £25 a week. These two changes will help 95,000 lone parents.

The Maternity Grant, which goes to those on income support or family credit who have a baby, will be increased by £15 to £100.

The total cost of additional measures for the least well off families is around £70 million in a full year, over and above the £100 million which gives them the full equivalent of a Child Benefit increase.

They will help some 1¹/₂ million families, and will in particular give greater encouragement to those lone parents who wish to work. They should also re-inforce our efforts to increase the number of people who take advantage of family credit. On that front, I am glad to be able to tell the House that Family Credit coverage rose by more than 40,000 to over 320,000 between March and July this year, which means that it is providing nearly twice as much help to over 50 per cent more families than the old Family Income Supplement. We plan a further campaign in the next few months, to make it more effective still.

Next, the less well-off pensioners, where I also propose five beneficial changes.

The most important relates to Income Support for those in residential care or nursing homes, on which a good deal of concern was expressed in the House during last week's debate on Community Care. I intend to increase payments for this purpose at a cost of more than £100 million to give increases in the Income Support limits of £10 a week for virtually every category of home, providing more help for some 200,000 elderly and disabled people.

I shall also deal with an anomaly in regard to the amount allowed for the personal expenses of those who are in hospital for a long time, which has the effect of leaving uncovered certain expenses they continue to incur at home. To help them, the relevant allowance will be increased from 20 per cent to 25 per cent of the Retirement Pension, that is to say from £8.70 to £11.75 a week.

For elderly couples on Income Support, the capital rule which governs access to the Social Fund will be doubled from £500 to £1000, to help overcome the anxiety which many of them feel about money set aside for a funeral.

For war widows, I shall increase the age allowances from £6.10 to £7 for those aged 65-69, from £12.20 to £13.50 for those aged 70-79, and from £15.30 to £20 for those who are 80 or over. In every case that is substantially more than a straightforward up-rating, and in the case of the over 80s it is over £3.50 more.

And I shall also, as was indicated earlier this year raise from £5 to £10 the amount of War Pension or War Widows Pension which is disregarded in calculating entitlement to income-related benefits.

The full year cost of these measures, of which the bulk is on residential and nursing care, is £115 million, and they will help some 400,000 people. That is over and above the extra £200 million which this months premium increases will next year be giving to some 2¹/₂ million elderly people.

Last, but not least I come to the needs of long-term sick and disabled people and of those many relatives and others who do so much to help with their care.

As a result of the series of important surveys which we commissioned four years ago from the Office of Population Censuses and Surveys we now know much more about disabled people and their circumstances. In the light of that, I intend to come forward within the next few months - I hope before the turn of the year - with proposals to improve the balance and structure of social security provision in this field.

Such changes will necessarily take some time to develop and carry through. Meanwhile, however, there are pressing needs which should not wait, and I intend to make, at the next up-rating or as soon as practicable if the House agrees the necessary legislation, some ten immediate improvements which, for the convenience of the House, I will simply list.

1. The disability premium for adults in income related benefits will be increased by £1.70 for a single person and £2.60 for a couple. That is £1 and £1.60 more than a straightforward up-rating, giving extra help to some 400,000 people.
2. The disability premium for families on income related benefits with disabled children will be aligned with the adult rate. That will more than double it from £6.50 to £15.40, giving extra help to 20,000 families.
3. A carer's premium will be introduced into income support for those receiving Invalid Care Allowance, initially at a rate of £10 a week. That will help 30,000 carers.
4. As has already been announced, Attendance Allowance will be made available to the terminally ill without the normal six months waiting period. That is expected to help more than 50,000 people by up to £37.55 a week.

5. We shall now also scrap the rule which prevents payment of Attendance Allowance for children under 2. That will give up to £37.55 a week extra to 3000 families with severely disabled babies.
6. In consequence of these extensions of Attendance Allowance, Invalid Care Allowance at £28.20 a week will also become available to many carers who would not otherwise qualify.
7. Mobility Allowance will be extended to the deaf-blind. That will give £26.25 week more to some 3000 people.
8. The amount which those receiving Invalid Care Allowance can earn without affecting their ICA will be increased by 66 per cent from £12 to £20 a week.
9. The amount which people on invalidity benefit or severe disablement allowance can earn without affecting those benefits, provided the work is medically certified as beneficial, will go up by 23 per cent from £28.50 a week to £35 a week and they will be able to keep their benefit when they go on an Employment Rehabilitation course instead of the existing Rehabilitation Allowance which may be lower by £20 or more.
10. The Independent Living Fund, which has proved so successful in assisting many exceptionally severely disabled people with their very special needs, for which the original provision for this year was £5 million, is being doubled immediately to over £10 million, and will be more than doubled again next year to well over £20 million.

The total full year cost of these measures, over and above the normal up-rating of disability benefits generally, will be some £100 million a year.

They will improve the incomes of over 500,000 seriously ill or disabled people and carers, in some cases by very substantial amounts. To give the House just one example, a family with a very severely disabled baby, where one of the parents is staying at home as carer, will get more than £65 a week extra.

A full schedule of the new benefit rates is in the Vote Office.

Mr Speaker, next year for the first time Social Security spending will be over £1 billion each and every week. The new measures I have described confirm the capacity of our reformed benefit system to focus more quickly and effectively on those with a special claim to our help. They will reinforce our policies for care in the community. And they underline our commitment to ensure that our country's greater prosperity is widely shared.

SOCIAL SECURITY UPGRATING

With permission, Mr Speaker, I wish to make a statement about the uprating of Social Security Benefits. The necessary statutory instrument, which will bring my proposals into effect, will be laid before both Houses and debated. Uprating will take place for most Benefits in the week beginning 9 April next year, the first full week in the tax year. The provisions will apply to both Great Britain and Northern Ireland.

I turn first to the main National Insurance Benefits. As the House knows, the increase in the Retail Prices Index for the year to September 1989, which is the most up-to-date indicator available at the time when the up-rating process has to start, is 7.6 per cent.

Our commitment to raise the basic Pension in line with that figure will again be fully carried out. It will therefore rise by £3.30 a week for a single person, from £43.60 to £46.90, and by £5.30 a week for a couple, from £69.80 to £75.10. The same percentage increase will also be applied to other National Insurance Benefits including Widows' Pensions, to Public Service Pensions, to Industrial Injuries Benefits, and to the War Pensions scheme - though in this last case with some exceptions, where I propose larger increases to which I will come later in my statement. Unemployment Benefit will go up from £34.70 to £37.35 for a single person and £56.10 to £60.40 for a couple, and Sickness Benefit from £33.20 to £35.70 for a single person and £53.75 to £57.80 for a couple.

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The increase in this index in the year to September 1989 is 5.2 per cent. The main rates of income-related benefits will be uprated accordingly. The rate for a single person over 25 will go to £36.70, the rate for a single person aged 18-24 to £28.80, and the rate for a couple, where one or both are over 18, to twice that, at £57.60. That figure will also be the threshold for calculating Family Credit. Again with some exceptions where I propose somewhat larger increases, the premiums will be increased, for example taking the extra payment for pensioners to £11.80 for over 60s, £14.40 for the over 75s, and £17.05 for the over 80s.

Mr Speaker, the general uprating I have so far described will add over £2¹/₂ billion to my Department's programme. Separately, we have already implemented two measures this month, to abolish the pensioners' earnings rule and to increase benefits for disabled and older pensioners on Income Support and Housing Benefit, costing nearly £600 million next year. In the remainder of this statement I will detail proposals which will increase expenditure on residential care and nursing homes costing about £100 million and additional measures amounting to around another £200 million in a full year. These measures will help three groups whose priority is, I believe, recognised in all parts of the House; the less well-off pensioners; low-income families with children, including many lone parents; and the long-term sick and disabled, together with those who care so devotedly for them.

Before describing those measures - and there are some twenty of them - I should make it clear that, against the background of additional expenditure on that scale for these priority groups, I am not able to propose an increase in Child Benefit as well. In coming to that conclusion, I have taken account of the fact that an increase in Child Benefit of itself does nothing for the least well-off - indeed it helps only those who do not receive Income Support and Family Credit. I have also taken account of the fact that the take-home pay for those on average male earnings has already increased in the past year by some £16 a week, and will have been further increased by up to £3 a week for the great majority of families as a result of

this months reduction in national insurance contributions - indeed more where both partners are working. The introduction of independent taxation next April will bring further improvements for many. In these circumstances, I think it right to concentrate extra help from social security on others.

In this context, I take first the less well-off families receiving Family Credit or Income Support. They will of course receive, through the up-rating of income-related benefits, the same amount as they would have gained from any general Child Benefit increase, at a cost of around £100 million.

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I shall also deal with an anomaly in regard to the amount allowed for the personal expenses of those who are in hospital for a long time, which has the effect of leaving uncovered certain expenses they continue to incur at home. To help them, the relevant allowance will be increased from 20 per cent to 25 per cent of the Retirement Pension, that is to say from £8.70 to £11.75 a week.

For elderly couples on Income Support, the capital rule which governs access to the Social Fund will be doubled from £500 to £1000, to help overcome the anxiety which many of them feel about money set aside for a funeral.

For war widows, I shall increase the age allowances from £6.10 to £7 for those aged 65-69, from £12.20 to £13.50 for those aged 70-79, and from £15.30 to £20 for those who are 80 or over. In every case that is substantially more than a straightforward up-rating, and in the case of the over 80s it is over £3.50 more.

And I shall also, as was indicated earlier this year raise from £5 to £10 the amount of War Pension or War Widows Pension which is disregarded in calculating entitlement to income-related benefits.

The full year cost of these measures, of which the bulk is on residential and nursing care, is £115 million, and they will help some 400,000 people. That is over and above the extra £200 million which this month's premium increases will next year be giving to some 2¹/₂ million elderly people.

Last, but not least I come to the needs of long-term sick and disabled people and of those many relatives and others who do so much to help with their care.

As a result of the series of important surveys which we commissioned four years ago from the Office of Population Censuses and Surveys we now know much more about disabled people and their circumstances. In the light of that, I intend to come forward within the next few months - I hope before the turn of the year - with proposals to improve the balance and structure of social security provision in this field.

Such changes will necessarily take some time to develop and carry through. Meanwhile, however, there are pressing needs which should not wait, and I intend to make, at the next up-rating or as soon as practicable if the House agrees the necessary legislation, some ten immediate improvements which, for the convenience of the House, I will simply list.

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2. The disability premium for families on income related benefits with disabled children will be aligned with the adult rate. That will more than double it from £6.50 to £15.40, giving extra help to 20,000 families.
3. A carer's premium will be introduced into income support for those receiving Invalid Care Allowance, initially at a rate of £10 a week. That will help 30,000 carers.
4. As has already been announced, Attendance Allowance will be made available to the terminally ill without the normal six months waiting period. That is expected to help more than 50,000 people by up to £37.55 a week.

5. We shall now also scrap the rule which prevents payment of Attendance Allowance for children under 2. That will give up to £37.55 a week extra to 3000 families with severely disabled babies.
6. In consequence of these extensions of Attendance Allowance, Invalid Care Allowance at £28.20 a week will also become available to many carers who would not otherwise qualify.
7. Mobility Allowance will be extended to the deaf-blind. That will give £26.25 week more to some 3000 people.
8. The amount which those receiving Invalid Care Allowance can earn without affecting their ICA will be increased by 66 per cent from £12 to £20 a week.
9. The amount which people on invalidity benefit or severe disablement allowance can earn without affecting those benefits, provided the work is medically certified as beneficial, will go up by 23 per cent from £28.50 a week to £35 a week and they will be able to keep their benefit when they go on an Employment Rehabilitation course instead of the existing Rehabilitation Allowance which may be lower by £20 or more.
10. The Independent Living Fund, which has proved so successful in assisting many exceptionally severely disabled people with their very special needs, for which the original provision for this year was £5 million, is being doubled immediately to over £10 million, and will be more than doubled again next year to well over £20 million.

The total full year cost of these measures, over and above the normal up-rating of disability benefits generally, will be some £100 million a year.

They will improve the incomes of over 500,000 seriously ill or disabled people and carers, in some cases by very substantial amounts. To give the House just one example, a family with a very severely disabled baby, where one of the parents is staying at home as carer, will get more than £65 a week extra.

A full schedule of the new benefit rates is in the Vote Office.

Mr Speaker, next year for the first time Social Security spending will be over £1 billion each and every week. The new measures I have described confirm the capacity of our reformed benefit system to focus more quickly and effectively on those with a special claim to our help. They will reinforce our policies for care in the community. And they underline our commitment to ensure that our country's greater prosperity is widely shared.

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FOR MR. PAUL GRAY, 10 DOWNING STREET,
FROM ANDREW TURNBULL

SOCIAL SECURITY: UPRATING STATEMENT

THE PRIME MINISTER HAS SEEN MR. NEWTON'S MINUTE AND THE DRAFT STATEMENT.

(II) SHE ENDORSES THE CB FREEZE AND THE TARGETTED PACKAGE.

(III) ON THE BALANCE BETWEEN GOOD NEWS AND BAD NEWS, SHE BELIEVES THE STATEMENT SHOULD BE AS FULL AS POSSIBLE. IT WOULD BE A MISTAKE TO WITHHOLD BAD NEWS WHICH IS GOING TO COME OUT IN THE AUTUMN STATEMENT TWO WEEKS LATER. THIS JUST LOOKS SHIFTY AS WELL AS RUNNING RISK OF LEAKS. THE ONLY EXCEPTION SHOULD BE SAVINGS WHICH ARE PART OF THE FULL DISABLEMENT PACKAGE TO BE ANNOUNCED IN THE WHITE PAPER.

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(IV) THE PARAGRAPH ON SSP IS OBSCURE. IT NEEDS TO SAY WHAT REGIME HAS BEEN, HOW BENEFITS ARE LINKED WITH CONTRIBUTIONS, AND WHY CHANGE TO CONTRIBUTIONS HAS CREATED A PROBLEM. THEN HIS PROPOSALS WILL HAVE SOME CONTEXT.

(V) MR. NEWTON DOES NOT SAY WHEN HE WILL BRING OUT HIS FULL DISABLEMENT PACKAGE. IS THIS DELIBERATE?

GRS 00215
NNNN



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

RA

From the Secretary of State for Social Security

CONFIDENTIAL

S D Catling Esq
Private Secretary to the
Lord President of the Council and
Leader of the House of Commons
Privy Council Office
Whitehall
London
SW1A 2AT

24 October 1989

Dear Steve

As you know, my Secretary of State is proposing to make a statement to the House about the uprating of Social Security benefits tomorrow. I attach, for your information, a draft of the statement. I would stress that the statement is still subject to revision and drafting changes.

I am copying this to the Private Secretaries of all Cabinet members.

Yours

Jeremy

JEREMY GROOMBRIDGE
Private Secretary

UPRATING STATEMENT: DRAFT STATEMENT

1. With permission, Mr Speaker, I wish to make a statement about the uprating of Social Security Benefits. The necessary statutory instrument, which will bring my proposals into effect, will be laid before both Houses and debated. Uprating will take place for most Benefits in the week beginning 9 April next year, the first full week in the tax year. The provisions will apply to both Great Britain and Northern Ireland.
2. I turn first to the main National Insurance Benefits. As the House know, the increase in the retail price index for the year to September 1989, which is the most up-to-date indicator available at the time when the up-rating process has to start, was 7.6 per cent.
3. Our commitment to raise the basic Pension in line with that figure will again be fully carried out. It will therefore rise by £3.30 a week for a single person, from £43.60 to £46.90, and by £5.30 a week for a couple, from £69.80 to £75.10. The same percentage increase will also be applied to all other National Insurance Benefits including Widows' Pensions, to Public Service Pensions, to Industrial Injuries Benefits, and to the War Pensions scheme - though in this last case with some exceptions, where I propose larger increases to which I will come later in my statement. Unemployment Benefit will go up from £34.70 to £37.35 for a single person and £56.10 to £60.40 for a couple, and Sickness Benefit from £33.20 to £35.70 for a single person and £53.75 to £57.80 for a couple.
4. So far as Statutory Sick Pay paid through employers is concerned, in the wake of the recent reduction and restructuring of employees' National Insurance contributions, I intend to set the dividing line between the two SSP rates at a level where employers' contributions go up to 9 per cent, which is currently £115 a week. Since this will somewhat widen the lower rate band, I propose to make a significantly larger increase in the lower rate, which will go up by £3.25 to £39.50, than in the higher rate, which will

go up from £52.10 to £52.50. The result is to do more for the lower paid when they are sick. These people are less likely to be covered by occupational sick pay schemes. In addition we shall be bringing about a modest real increase in the value of Statutory Maternity Pay. Because of the way these schemes operate, there will be an increase of about £80 million in the income of the National Insurance Fund, which will be redeployed in Benefit increases.

5. On the main long-term Sickness and Disability Benefits, Invalidity Benefit will, as usual, go up in line with Retirement Pension. The associated Invalidity Allowances will rise by 7.6 per cent, except for a marginally greater increase in the highest rate to take it to £10. Severe Disablement Allowance and Invalid Care Allowance will both go from £26.20 to £28.20; Mobility Allowance, now helping over $\frac{1}{2}$ a million people compared with only about 100,000 ten years ago, from £24.40 to £26.25; and Attendance Allowance, now helping over of a million compared with only $\frac{1}{4}$ million ten years ago, from £23.30 to £25.05 at the lower rate and £34.90 to £37.55 at the higher rate.

6. I turn now to the income-related benefits - Income Support, Housing Benefit and Family Credit. The index applied here is the Retail Price Index less housing costs. This simply reflects the fact that, for those in receipt of such benefits, actual housing costs are taken into account in their Housing Benefit itself or through help with mortgage interest.

7. The measured increase in this index in the year to September 1989 is 5.2 per cent. Again with some exceptions where I propose somewhat larger increases, to which I will come later, the rates of income-related benefits will rise accordingly. The rate for a single person over 25 will go to £36.70, the rate for a single person aged 18-24 to £28.80, and the rate for a couple, where one or both are over 18, to twice that, at £57.60. That figure will also be the threshold for calculating Family Credit. All premiums will be increased, for example taking the extra payment for pensioners to £11.80 for over 60s, £14.40 for the over 75s, and £17.05 for the over 80s.

8. Mr Speaker, the general up-rating I have so far described will cost some £x 000 million in a full year. Over and above that, we have already implemented two measures this month, to abolish the pensioners' earnings rule and to increase benefits for the disabled and older pensioners on Income Support and Housing Benefit, which add nearly another £600 million in a full year. And in the remainder of this statement I propose to add, over and above that, a further £x million of additional help to three groups whose priority is, I believe, recognised in all parts of the House; the less-well-off pensioners; low-income families with children, including many lone parents; and the long-term sick and disabled, together with those who care so devotedly for them.

9. Before describing those measures - and there are some twenty of them - I should make it clear that, against the background of additional expenditure on that scale for these priority groups, I am not able to propose an increase in Child Benefit as well. In coming to that conclusion, I have taken account of the fact that an increase in Child Benefit of itself does nothing for the least well-off - indeed it helps only those who do not receive income-related benefits. I have also taken account of the fact that the take-home pay for those on average male earnings has already increased in the past year by some £14 a week, and will have been further increased by up to £3 a week for the great majority of families as a result of this months reduction in national insurance contributions (and even more where both partners are working) and that next April's tax charges will bring further improvements for many. In these circumstances, I think it right to concentrate extra help from social security on others.

10. In this context, I take first the less well-off families receiving Family Credit or Income Support. They will of course receive, through the up-rating of income-related benefits, the full amount which they would have gained from any general Child Benefit increase.

In addition to that, and to some increases for disabled children and their families to which I shall come shortly, I am making five other improvements.

11. The family premium in Income Support will be increased from £6.50 to £7.35, which is 50p a week more than a straightforward up-rating would have entailed. This will of course carry through into extra entitlement to Housing Benefit and Community Charge Benefit also.

12. The adult credit in Family Credit will be increased from £33.60 to £36.35, which is £1 a week more than would otherwise have occurred and the child credits will be increased so as to compensate fully for the decision not to uprate Child Benefit. So the extra help for these families means that they will be better off than had Child Benefit been increased. These increases will be of great help to the 120,000 working lone parents who receive Family Credit. As further encouragement for lone parents who wish to work, the lone parent premium in Housing Benefit (and Community Charge Benefit) will be increased by y per cent from £8.60 to £9.70.

14. And the amount they can earn without affecting their benefit entitlement will be increased from £15 a week to £25 a week. These Housing Benefit changes will help 95,000 lone parents.

15. The Maternity Grant, which goes to those on income support or family credit who have a baby, will be increased by £15 to £100.

16. The total cost of these measures, for the least well off families is about £75 million in a full year.

17. They will help some 1.5 million families, including 95,000 lone parents. No less important it will give greater encouragement to those lone parents who wish to work, and should also re-inforce our efforts to increase the number of people who take advantage of family credit. On that front, I am glad to be able to tell the House that Family Credit coverage rose by more than 40,000 to over 320,000 between March and July this year, which means that it is providing nearly twice as much help to over 50 per cent more families than the old Family Income Supplement. We plan a further campaign in the next few months, to make it more effective still.

18. Next, the less-well-off pensioners, where I also propose five beneficial changes.

19. The most important relates to Income Support for those in residential care or nursing homes, on which a good deal of concern was expressed in the House during last week's debate on Community Care. I intend to increase Income Support payment for this purpose more than by a further another £100 million to give an increase of £10 a week in the limit for virtually every category of home, including those providing care for some X0000 elderly people.

I shall also deal with an anomaly in regard to the amount allowed for the personal expenses of those who are in hospital for a long time, which has the effect of leaving uncovered certain expenses they continue to incur at home. To help them, the relevant allowance will be increased from 20 per cent to 25 per cent of the Retirement Pension, that is to say from £8.70 to £11.75 a week.

20. For elderly couples on Income Support, the capital rule which governs access to the Social Fund will be doubled from £500 to £1000, to help overcome the anxiety which many of them feel about money set aside for a funeral.

21. For war widows, I shall increase the age allowances from £6.10 to £7 for those aged 65-69, from £12.20 to £13.50 for those aged 70-79, and from £15.30 to £20 for those who are 80 or over. In every case that is substantially more than a straightforward up-rating, and in the case of the over 80s it is over £3.50 more.

And I shall also, as was indicated earlier this year raise from £5 to £10 the amount of War Pension or War Widows Pension which is disregarded in calculating entitlement to income-related benefits.

The full year cost of these measures, of which the bulk is on residential and nursing care, is £x million, and will help x000 people. That is over and above the extra £200 million which this months premium increases will next year be taking to some 2.5 million elderly people.

22. Last, but not least I come to the needs of the long-term sick and disabled and of those many relatives and others who do so much to help with their care.

23. As a result of the series of important surveys which we commissioned four years ago from the Office of Population Censuses and Surveys about disabled people and their circumstances. In the light of that, I intend to come forward within the next few months - I hope before the turn of the year - with proposals to develop and improve the pattern of social security provision in this field.

24. This will entail looking at the balance within and between existing earnings replacement benefits for people incapable of work, including both the contributory and non-contributory benefits and the Industrial Injuries Scheme. We must examine ways of easing the transition from total incapacity back to work and earnings. Particularly for people disabled as children or during their working life, we will look at the structure and extent of the help given with the additional costs of disablement for which the Attendance and Mobility Allowances are currently available.

25. All this will necessarily take some time to work out, to carry through any necessary legislation, and to implement. Meanwhile, however, there are pressing needs which should not wait, and I intend to make, at the next up-rating or as soon as practicable if the House agrees the necessary legislation, some ten immediate improvements which, for the convenience of the House, I will simply list.

1. The disability premium for adults in income related benefits will be increased by £xp for a single person and £x for a couple. That is x and x more than a straightforward up-rating, giving extra help to some x000 people.

2. The disability premium for families on income related benefits with disabled children will be aligned with the adult rate. That will more than double it from x to x, giving extra help to x000 families.

3. A carer's premium will be introduced into income support for those receiving Invalid Care Allowance, initially at a rate of £10 a week. That will help x000 carers.

4. As has already been announced, Attendance Allowance will be made available to the terminally ill without the normal six months waiting period. That is expected to help more than 50,000 people by up to £37.55 a week.

5. We shall now also scrap the rule which prevents payment of Attendance Allowance for children under 2. That will give up to £37.55 a week extra to x000 families with severely disabled babies. In consequence, of these extensions of Attendance Allowance, Invalid Care Allowance at £26 a week will also become available to some x000 carers who would not otherwise qualify.

6. Mobility Allowance will be extended to the deaf-blind. That will take £25 week more to some 3000 people, including x children.
7. The amount which those receiving Invalid Care Allowance can earn without affecting their ICA will be increased by x per cent from £12 to £20 a week.
8. The amount which people on invalidity benefit or severe disablement allowance can earn without affecting those benefits, provided the work is medically certified as beneficial, will go up by x per cent from £28.50 a week to £35 a week.
9. The Independent Living Fund, which has proved so successful in assisting many exceptionally severely disabled people with their very special needs, for which the original provision for this year was £5 million, is being doubled immediately to over £10 million, will be more than doubled again next year to well over £20 million and further increased in 1991-92 to over £30 million.
10. Several hundred people each year will have a greater incentive to rehabilitation, because we shall enable them to continue receiving Invalidity Benefit when they go on an employment rehabilitation course, instead of the existing rehabilitation allowance which may be £20 or more lower.
26. The total full year cost of these measures, over and above the normal up-rating of disability benefits generally, will be some £x million.

27. They will improve the incomes of some x000 seriously ill or disabled people and carers, in some cases by very substantial amounts. To give the House just one example, a family with a badly handicapped baby, where one of the parents is staying at home as carer, will get more than £65 a week extra as a result of these changes.

28. Mr Speaker, what I have announced this afternoon increases the social security budget by around £2.8 billion a year. The improvements already implemented earlier this month, are worth around £600 million a year. Social Security spending for the first time will be over £1 billion each and every week.

The new measures I have described confirm the capacity of our reformed benefit system to focus more quickly and effectively on those with a special claim to our help. They will re-inforce our policies for care in the community. And they underline our commitment to ensure that our country's greater prosperity is widely shared.

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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

24 October 1989

SOCIAL SECURITY: UPRATING STATEMENT

The Prime Minister was grateful for your Secretary of State's minute of 23 October and the attached early draft to his Statement. We spoke earlier this evening about her reactions, and it may be helpful if I record these.

On the terms of the Statement, the Prime Minister had the following comments:

- She felt the Statement should be as full as possible, and that it would be a mistake not to include any substantial savings measures which would be revealed at the time of the Autumn Statement. The only exception should be savings which are part of the full disablement package to be announced in the White Paper.
- She felt the paragraph on statutory sick pay was obscure. To set the proposals in context, it would be helpful to extend this to say what the régime has been, how benefits are linked with contributions, and why the change to contributions has created a problem.

The Prime Minister would be content to discuss with your Secretary of State the question of child support policy for the longer term, but she sees no hurry to arrange such a meeting.

I am copying this letter to Carys Evans (Chief Secretary's Office).

PAUL GRAY

Jeremy Groombridge, Esq.
Department of Social Security

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CONFIDENTIAL

MESSAGE FOR MR. PAUL GRAY, 10 DOWNING STREET, FROM ANDREW TURNBULL

SOCIAL SECURITY: UPDATING STATEMENT

The Prime Minister has seen Mr. Newton's minute and the draft statement.

(i) She endorses the CB freeze and the targetted package.

(ii) On the balance between good news and bad news, she believes the statement should be as full as possible. It would be a mistake to withhold bad news which is going to come out in the autumn statement two weeks later. This just looks shifty as well as running risk of leaks. The only exception should be savings which are part of the full disablement package to be announced in the White Paper.

(iii) Prime Minister is willing to talk to Mr. Newton on child support in longer term, but no hurry. (He will be surprised by her advocacy of a return to child tax allowances.)

(iv) The paragraph on SSP is obscure. It needs to say what regime has been, how benefits are linked with contributions, and why change to contributions has created a problem. Then his proposals will have some context.

(v) Mr. Newton does not say when he will bring out his full disablement package. Is this deliberate?

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TO IMMEDIATE CABINET OFFICE
TELNO AIRBORNE 13
OF 241400Z OCTOBER 89

FOR MR. PAUL GRAY, 10 DOWNING STREET,
FROM ANDREW TURNBULL

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(V) MR. NEWTON DOES NOT SAY WHEN HE WILL BRING OUT HIS FULL DISABLEMENT PACKAGE. IS THIS DELIBERATE?

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PRIME MINISTER

SOCIAL SECURITY: UPRATING STATEMENT

Attached is a copy of a minute from Mr. Newton and the latest draft of the statement he proposes to make on Wednesday. The issues arising are:

(i) DSS and Treasury have been arguing about the balance of the announcement. DSS wished to include all the good news from the PES statement, leaving all the bad news until the Autumn statement; whereas the Treasury wanted to hold back some of the good news so that there is a more balanced package to announce with the Autumn statement. The attached version leans more towards DSS, though the Treasury have signed up to it. Content?

(ii) Most controversial will be a further year in which child benefit is frozen, with additional support targeted on poorer families. There is a good case for this as a child benefit uprating benefits only the better off families as the increase is netted off income support. It will be necessary to sell this point very hard as there are many, including some on the Government side, who see child benefit as particularly advantageous for the poor. Content with what is proposed?

(iii) Mr. Newton is, however, worried about the politics of a series of one year freezes. He seeks an early opportunity to discuss privately with you the longer term future for CB. You will recall discouraging Mr. Moore from pressing for such a meeting a year ago, on the grounds that this was not an issue to be presented so far in advance of the next election. The case for discussion now is stronger, as next year's PES could be the last before the election, and you might want to give the matter resolved by then. Do you want a discussion now, or should Mr. Newton be encouraged to let the matter rest for a further year?

(iv) On disablement, Mr. Newton proposes to announce only those elements of his package which take effect next year, with the fuller picture to be set out in a White Paper towards the end of the year.

AT

24 October, 1989.

CONFIDENTIAL

MR. TURNBULL

SOCIAL SECURITY: UPDATING STATEMENT

I have been hoping to fax out to you so that you could have on Monday evening your time, a copy of the draft Updating Statement. But because of DSS/Treasury wrangling this was not possible.

The main problem has been DSS's wish to include in Wednesday's updating Statement all the good news from the PLS Statement, leaving over all the bad news until the Autumn Statement, while the Treasury want to hold back some of the good news so that there is a more balanced package to announce with the Autumn Statement.

The attached version represents the latest state of play. Treasury have signed up to it.

The Prime Minister will also wish to note that Mr. Newton has been covering a minute for an early opportunity to discuss the longer term issue of child benefits. He will recall discouraging Mr. Moore from pressing for such a meeting a year ago, on the grounds that this can not be done until it is passed so far in advance of the next election. The Prime Minister will want to consider whether the time is yet ripe, or whether Mr. Newton should be encouraged to let the matter rest until the further year.

Sarah Howe

PP
PAUL GRAY

23 October 1989

NLC/8846p

Prime Minister

SOCIAL SECURITY: UPDATING STATEMENT

As you know, I propose to make a statement to the House about the updating of Social Security benefits on Wednesday 26 October. I attach a preliminary draft of the statement which I propose to circulate to colleagues tomorrow. It incorporates the changes that I have agreed with Norman Lamont in this year's Public Expenditure Survey and I would particularly draw your attention to the need for extra help for low-income families and for disabled people.

First, on low income families, I have agreed with Norman Lamont that benefits should be held at its present rate of 100 per cent of the 1990 rate. Norman has dropped his proposal to increase the rate in later years. He has also agreed that the rate of benefit for income-related allowances should be increased to 21 per cent of the 1990 rate for each family with dependent children. In other words, with measures affecting lone parents and disabled people, to which I refer in the statement, this will amount to an increase of 10 per cent of the automatic increases which poorer families receive to compensate for a standard rate of inflation. These measures will enable the least well off families to share in the increased prosperity of families generally, whilst improving incentives by giving more to those in work.

While I should be able to defend this settlement in the House, especially in view of the improvements I am also making for other priority groups, we should be under no illusion that a further freeze in the rate of child benefit will be strongly attacked, and that some of this attack will come from our own supporters. I think there is now a pressing need to remove the uncertainty created by a succession of one year freezes, which could leave us open to legal challenge (although the Law Officers' advice is that a challenge could not be founded on the fact that I had decided for several consecutive years not to increase the rate of benefit), and to put our policy on child benefits back on a clear and public longer-term basis. I should welcome an early opportunity to discuss the issue privately with you.

Secondly, you will recall that ~~the~~ the ~~benefit~~ benefit was specifically left out of the 1986 Social Security (Consequential Provisions) Bill in consideration in the light of the fact that it was being considered on a hand. These surveys have now been completed, and I have approved Mr. Norman's balanced package of changes that has confirmed will produce a much sounder and more coherent structure of benefits for the future.

I propose to announce the new structure in a White Paper around the turn of the year. The main elements will be a better earnings replacement benefit for the congenitally disabled and an improved

costs allowance incorporating the present Mobility Allowance and Attendance Allowance and a Partial Incapacity Benefit to make it easier for disabled people to work. These changes represent important improvements. They will be balanced by two savings measures: the abolition of the Industrial Injuries scheme's Reduced Earnings Allowance for new claims from October 1990 and the abolition of additional pension in Invalidity Benefit for new earnings. The second change, which produces major savings in the longer term, but has impact in the short term is that newly existing payments will be entirely unaffected and the accrued rights or future payments will be protected and revalued in line with earnings. I believe both measures can be defended as part of a package which will do a great deal to help to disabled people of the kind that I have been talking to you with Norman.

In the meantime, I propose to announce in my statement the measures which directly affect benefits rates in the coming year. These fit with many of the most important present proposals currently before us, for example Mobility Allowance for the blind and a care premium for Income Support. Taken together, they provide an immediate help to disabled people in 1990-91. I set to some extent by the SSP savings to which I refer in the statement.

Finally, as regards pensioners, you announced in your Party
 Conference speech an increase in Retirement Pension from £43.60 to
 £46.90 a week. That will add £1.5 billion out of a total increase
 in Social Security spending of nearly £3 billion. On top of that, I
 shall refer to over £1/2 billion extra spending on special help
for poorer pensioners and the abolition of the earnings rule. That
is an excellent record.

I am copying this to Norman Lamb.

Handwritten initials

23 OCT 1989

TONY NEWSON

PRELIMINARY DRAFT

With permission, Mr Speaker, I wish to make a statement about the 1990 up-rating of social security benefits, which will take place in the week beginning 9 April next year, and certain other social security issues.

I turn first to the main national insurance benefits. As the House knows, the increase in the retail price index for the year to September 1989, which is the most up-to-date indicator available at the time when the up-rating process had to start, was 7.6 per cent.

Our commitment to raise the basic pension in line with that figure will again be fully carried out. It will therefore rise by £3.30 a week for a single person, from £43.60 to £46.90, and by £5.30 a week for a couple, from £69.80 to £75.10. With one exception, the same percentage increase will be applied to all other national insurance benefits, so that, for example, the rate of unemployment benefit will rise from x to x for a single person and y to y for a couple. The one exception is the higher rate of invalidity allowance, payable to those who become incapable of work at a relatively early age, which I propose to increase by a marginally higher proportion to take it to £10.

So far as Statutory Sick Pay paid through employers is concerned, the recent re-structuring of employers' national insurance contributions has left no very obvious point at which to set the line between the two different rates. I propose therefore to put it at the level where employer's contributions go up from 7 to 9 per cent, currently £115 a week. Since this will somewhat widen the lower rate band, I propose to make a significantly greater increase in the lower rate than the higher rate, which will have the additional advantage of doing more for the lower paid who are less likely to be covered by occupational sick pay schemes. The overall effect will be to increase the income of the national insurance fund by about £80 million. This will be redeployed in benefit increases.

This para is obscure. It needs to take the listener back one step

- Under the SSP there are two different rates of payment. Advantage...*
(The explain how link with contribution worked and why change are now necessary)

I turn now to the income-related benefits - Income Support, Housing Benefit and Family Credit. The index to be applied here is the so-called Rossi index - that is to say, the increase in the Retail Price Index for costs other than housing costs. This simply reflects the fact that, for those in receipt of such benefits, actual housing costs are taken into account in their housing benefit itself.

The measured increase in this index in the year to September 1988 is 5.2 per cent. With a number of exceptions where I propose somewhat larger increases and to which I will return later in my statement, all the main rates of Income Support and the thresholds used for calculating Housing Benefit and Family Credit, will rise in line with this. Thus, for example, the Income Support rate for (standard case) will go up by 5.2 per cent from £4.20 to £4.42.

Mr Speaker, the general up-rating I have so far described will cost some £1000 million in a full year. In the remainder of this statement I shall be setting out measures which we have set in hand in advance of the up-rating itself, or which we will take next year, which will raise that figure by £2000 million. They are designed to give additional help to three groups whose priority is, I believe, widely supported in the House: pensioners, especially those who are least well-off; low income families with children, including lone parents; and the long-term sick and disabled, together with those who care for them.

Before describing those measures - and there are some twenty of them - I should make it clear that, against the background of additional expenditure on that scale for these groups, I have not proposed an increase in child benefit as well. In making that judgement about priorities, I have taken account of the fact that an increase in child benefit of itself does nothing for the least well-off, and is indeed most beneficial for the most well-off, and that the take-home pay for those on average male earnings has already increased in the past year by some £20 a week, and will have been further increased by the national insurance reductions this month.

In this context I take first the low-income families with children. In addition to increases for disabled children and their families to which I shall come shortly, I have four changes to propose.

- ① The family premium in income support will be increased from x to x, which is 50p a week more than a straightforward up-rating would have entailed. This will of course carry through into extra entitlement to housing benefit and community charge benefit also.
- 2 The adult credit in family credit will be increased from x to x, which is £1 a week more than would otherwise have occurred and will similarly also increase entitlement to housing benefit and community charge benefit.
- 3 For lone parents who are working, the lone parent premium in housing benefit (and community charge benefit?) will be increased by y per cent from £8.60 to £9.70. And the amount they can earn without affecting their benefit entitlement will be increased from £15 a week to £25 a week.
- *5 The maternity grant, which goes to those on income support or family credit who have a baby, will be increased by £15 to £30.

The total cost of these measures, including the £90m (?) which gives the full equivalent of a child benefit increase to these less-well-off families, is £x million in a full year.

They will help some x000 families, and in particular give greater encouragement to those lone parents who wish to work. They should also re-inforce our efforts to increase the number of people who take advantage of family credit. On that front, I am glad to be able to tell the House that family credit coverage rose by no less than 40,000? to 320,000? between March? and September? this year, which means that it is now taking nearly twice as much help to 30-50 per cent more families than the old Family Income Supplement. We plan a further campaign in the next few months, with particular emphasis on lone parents, to make it more effective still.

Next, pensioners. As the House knows, we have this month swept away the injustice of the earnings rule, at a full year cost of £375 million, and provided up to £3.50 a week extra for the older or disabled pensioners on income support or housing benefit, at a full year cost of £200 million. I now propose four further steps, in addition to the general increases in retirement pensions and income support I have already mentioned.

The most important relates to income support for those in residential care or nursing homes, on which a good deal of concern was expressed in the House during last week's debate on Community Care. I intend to increase Social Security payments by a further £120 million next year, including a £10 increase, from £140 a week to £150 a week, for the major categories of residential and nursing homes for elderly people.

I shall also deal with an anomaly in regard to the amount allowed for the personal expenses of those in hospital, which has the effect of leaving uncovered certain expenses they continue to incur at home. To meet this, the relevant allowance will be increased from £5 to x.

For elderly couples on income support, the capital rule which governs access to the Social Fund will be doubled from £500 to £1,000.

For pensioners and war widows, the amount of income disregarded in calculating any entitlement to income-related benefits will be doubled from £5 to £10.

The total full year cost of these measures to help less well-off pensioners, including this month's special premium increases, is £x million. They assist some 2 1/2 million people.

Last but not least, I come to the long-term sick and disabled and their carers.

Mr Speaker, I have already said that taken as a whole, what I have announced will increase the social security budget by over £3 billion a year. Next year, at over £3 billion, it will for the first time exceed £1 billion a week. That is £12 billion more in real terms than in 1979, including a doubling in real terms of the amount we spend on the long-term sick and disabled. It is a further demonstration of the capacity which our benefit reforms have given us to focus effectively on groups with a special claim to our help as a community. And it clearly underlines our commitment to make that help available from the resources we have created through economic growth.

As a result of the series of important surveys which we commissioned four years ago from the Office of Population Censuses and Surveys, we now have more and better information than ever before about their numbers, needs and circumstances. In the light of that, I intend to come forward within the next few months - I hope before the turn of the year - with proposals to develop and improve the pattern of social security provision for this group.

This will entail looking at the balance within and between existing earnings replacement benefits, including both the contributory and non-contributory systems and the industrial injuries scheme; at the structure and extent of the help given with the additional costs of disablement, particularly for those who are disabled from birth, during childhood, or during their working life; and at ways of easing the transition from benefit to earnings.

All this will necessarily take some time to work out, to carry through any necessary legislation, and to implement. Meanwhile, however, there are pressing needs which should not wait, and I intend to make, at the next up rating or as soon as practicable if the House agrees the necessary legislation, some ~~of the~~ immediate improvements which, for the convenience of the House, I will single out in a list.

1. The disability premium for adults in income related benefits will be increased by fxp for a single person and fx for a couple, which is x and x more than a straightforward up rating and will give additional help to some $x000$.
2. The disability premium for families on income related benefits with disabled children will be aligned with the adult rate, which more than doubles it from x to x .
3. A carer's premium will be introduced into income support for those receiving Invalid Care Allowance, initially at x per week.
4. As has already been announced, Attendance Allowance will be made available to the terminally ill without the normal six months waiting period, to help over 50,000 people at a cost of nearly £30 million.

5. We shall also scrap the rule which prevents payment of £37.55 Attendance Allowance for children under 2, thus giving up to £32 a week extra to x000 families with severely disabled babies.
6. In consequence, Invalid Care Allowance at £26 a week will also be extended to those same families where one of the parents is at home as a carer.
7. Mobility Allowance will be extended to the deaf-blind, which means £25 a week for some 3000 people.
8. The amount which carers receiving Invalid Care Allowance can earn without affecting their ICA will be increased from £12 to £15 a week.
9. The amount which people on invalidity benefit or severe disablement allowance can earn without affecting those benefits, provided the work is medically certified as beneficial, will go up from £28.50 a week to £35 a week.
10. The Independent Living Fund, which has proved extremely successful in assisting many exceptionally severely disabled people with their very special needs, will be increased to nearly £24 million next year and over £31 million in 1991-92.

The total full year cost of these measures, over and above the normal up-rating of disability benefits generally, will be some £x million. They will give additional help to over x000 of the most deserving people in our society. In the case of a family with a severely handicapped small baby, they will bring a benefit increase of up to £x a week.

(3)

CONFIDENTIALMR. TURNBULLSOCIAL SECURITY: UPDATING STATEMENT

I had been hoping to fax out to you so that you could have on Monday evening your time, a copy of the draft Updating Statement. But because of DSS/Treasury wrangling this was not possible.

The main problem has been DSS's wish to include in Wednesday's updating statement all the good news from the PES Statement, leaving over all the bad news until the Autumn Statement; whereas the Treasury want to hold back some of the good news so that there is a more balanced package to announce with the Autumn Statement.

The attached version represents the latest state of play. Treasury have signed up to it.

The Prime Minister will also wish to note Tony Newton's request for a covering minute for an early opportunity to discuss the longer term issue of child benefit. She will recall discouraging Mr. Moore from pressing for such a meeting a year ago, on the grounds that this was not an issue to be pursued so far in advance of the next election. The Prime Minister will want to consider whether the time is yet ripe, or whether Mr. Newton should be encouraged to let the matter rest for a further year.

Sara Howe

PP. PAUL GRAY

23 October 1989

NLC/8846p

Prime Minister

SOCIAL SECURITY: UPRATING STATEMENT

As you know, I propose to make a statement to the House about the uprating of Social Security benefits on Wednesday 25 October. I attach a preliminary draft of the statement which I propose to circulate to colleagues tomorrow. It incorporates the measures that I have agreed with Norman Lamont in this year's Public Expenditure Survey and I would particularly draw your attention to two areas: extra help for low-income families and for disabled people.

First, on low income families, I have agreed with Norman that Child Benefit should be held at its present rate of £7.25 for a child under 16. Norman has dropped his proposal to assume no uprating in 1990-91. We have also agreed that the rates of benefit for low income families should be increased by £1 for each family on Family Credit and £1 for each family on Income Support. Together with measures affecting lone parents and disabled children, to which I refer in the statement, this will amount to an extra £1.5 billion in 1990-91. The automatic increases which poorer families will receive will be £1.5 billion in 1990-91. These measures will enable the least well off families to share in the increased prosperity of families generally, whilst improving incentives by giving more to those in work.

(3)

While I should be able to defend this settlement in the House, especially in view of the improvements I am also making for other priority groups, we should be under no illusion that a further freeze in the rate of Child Benefit will be strongly attacked, and that some of this attack will come from our own supporters. I think there is now a pressing need to defuse the uncertainty created by a succession of one-year freezes, which could leave us open to legal challenge (although the Law Officers' advice is that a challenge could not be founded on the fact that I had decided for several consecutive years not to increase the rate of benefit), and to put our policy on Child Benefit back on to a clear and public longer term basis. I should welcome an early opportunity to discuss the issue privately with you.

Secondly, you will recall that disability benefits were specifically left out of the 1988 Social Security reforms pending further consideration in the light of the OPCS Surveys which had been set in hand. These surveys have now been completed, and I have agreed with the Government a balanced package of changes that I am confident will produce a much sounder and more coherent structure of benefits for the future.

I propose to announce the new structure in a White Paper around the turn of the year. The main elements will be a better earnings replacement benefit for the congenitally disabled, a disability

(6)


costs allowance incorporating the present Mobility Allowance and Attendance Allowance and a Partial Incapacity Benefit to make it easier for disabled people to work. These changes represent important improvements. They will be balanced by two savings measures: the abolition of the Industrial Injuries scheme's Reduced Earnings Allowance for new cases from October 1990 and the abolition of additional pension in Invalidity Benefit for new earnings. The second change, will produce major savings in the longer term but its impact in the short term is small because existing claimants will be entirely unaffected and the accrued rights of future claimants will be protected and revalued in line with earnings. I believe both measures can be defended as part of a package which directs extra help to disabled people of the kind that I have been able to agree with Norman.

In the meantime, I propose to announce in my statement the measures which directly affect benefit rates in the coming year. These deal with many of the most important pressure points that currently face us, for example Mobility Allowance for the deaf/blind and a carers' premium for Income Support. Taken together, they provide an extra 125m help to disabled people in a full year, offset to some extent by the SSP savings to which I refer in the statement.

(7)

Finally, as regards pensioners, you announced in your Party Conference speech an increase in Retirement Pension from £43.60 to £46.90 a week. That will add £1.5 billion out of a total increase in Social Security spending of nearly £3 billion. On top of that, I shall refer to over £1/2 billion extra spending on special help for poorer pensioners and the abolition of the earnings rule. That is an excellent record.

I am copying this to Norman Lamont.



23 OCT 1989

TONY NEWTON

PRELIMINARY DRAFT

With permission, Mr Speaker, I wish to make a statement about the 1990 up-rating of social security benefits, which will take place in the week beginning 9 April next year, and certain other social security issues.

I turn first to the main national insurance benefits. As the House knows, the increase in the retail price index for the year to September 1989, which is the most up-to-date indicator available at the time when the up-rating process has to start, was 7.6 per cent.

Our commitment to raise the basic pension in line with that figure will again be fully carried out. It will therefore rise by £3.30 a week for a single person, from £43.60 to £46.90, and by £5.30 a week for a couple, from £69.80 to £75.10. With one exception, the same percentage increase will be applied to all other national insurance benefits, so that, for example, the rate of unemployment benefit will rise from x to x for a single person and y to y for a couple. The one exception is the higher rate of invalidity allowance, payable to those who become incapable of work at a relatively early age, which I propose to increase by a marginally higher proportion to take it to £10.

So far as Statutory Sick Pay paid through employers is concerned, the recent re-structuring of employees' national insurance contributions has left no very obvious point at which to set the line between the two different rates. I propose therefore to put it at the level where employer's contributions go up from 7 to 9 per cent, currently £115 a week. Since this will somewhat widen the lower rate band, I propose to make a significantly greater increase in the lower rate than the higher rate, which will have the additional advantage of doing more for the lower paid who are less likely to be covered by occupational sick pay schemes. The overall effect will be to increase the income of the national insurance fund by about £80 million. This will be redeployed in benefit increases.

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*This para is obscure. It needs to take the listener back one step
• under the SSP there are two different rates of payment. Shortly...
(The explain has led into contribution worked and why changes are now necessary)*

(9)

I turn now to the income-related benefits - Income Support, Housing Benefit and Family Credit. The index to be applied here is the so-called Rossi index - that is to say, the increase in the Retail Price Index for costs other than housing costs. This simply reflects the fact that, for those in receipt of such benefits, actual housing costs are taken into account in their housing benefit itself.

The measured increase in this index in the year to September 1989 is 5.2 per cent. With a number of exceptions where I propose somewhat larger increases and to which I will return later in my statement, all the main rates of Income Support and the thresholds used for calculating Housing Benefit and Family Credit, will rise in line with this. Thus, for example, the Income Support rate for (standard case) will go up by fx a week from y to z.

Mr Speaker, the general up-rating I have so far described will cost some fx000 million in a full year. In the remainder of this statement I shall be setting out measures which we have set in hand in advance of the up-rating itself, or which we will take next year, which will raise that figure by fx000 million. They are designed to give additional help to three groups whose priority is, I believe, widely supported in the House; pensioners, especially those who are least well-off; low income families with children, including lone parents; and the long-term sick and disabled, together with those who care for them.

Before describing those measures - and there are some twenty of them - I should make it clear that, against the background of additional expenditure on that scale for these groups, I am not able to propose an increase in child benefit as well. In making that judgement about priorities, I have taken account of the fact that an increase in child benefit of itself does nothing for the least well-off, and is indeed most beneficial for the most well-off, and that the take-home pay for those on average main earnings has already increased in the past year by some £20 a week, and will have been further increased by the national insurance reductions this month.

HC1131t/3

(10)

In this context I take first the low-income families with children. In addition to increases for disabled children and their families to which I shall come shortly, I have four changes to propose.

- ① The family premium in income support will be increased from x to x, which is 50p a week more than a straightforward up-rating would have entailed. This will of course carry through into extra entitlement to housing benefit and community charge benefit also.
- 2 The adult credit in family credit will be increased from x to x, which is £1 a week more than would otherwise have occurred and will similarly also increase entitlement to housing benefit and community charge benefit.
- 3 For lone parents who are working, the lone parent premium in housing benefit (and community charge benefit?) will be increased by y per cent from £8.60 to £9.70. And the amount they can earn without affecting their benefit entitlement will be increased from £15 a week to £25 a week.
- *5 The maternity grant, which goes to those on income support or family credit who have a baby, will be increased by £15 to £100.

The total cost of these measures, including the £90m (?) which gives the full equivalent of a child benefit increase to these less-well-off families, is £x million in a full year.

They will help some x000 families, and in particular give greater encouragement to those lone parents who wish to work. They should also re-inforce our efforts to increase the number of people who take advantage of family credit. On that front, I am glad to be able to tell the House that family credit coverage rose by no less than 40,000? to 320,000? between March? and September? this year, which means that it is now taking nearly twice as much help to 50 per cent more families than the old Family Income Supplement. We plan a further campaign in the next few months, with particular emphasis on lone parents, to make it more effective still.

(11)

Next, pensioners. As the House knows, we have this month swept away the injustice of the earnings rule, at a full year cost of £375 million, and provided up to £3.50 a week extra for the older or disabled pensioners on income support or housing benefit, at a full year cost of £200 million. I now propose four further steps, in addition to the general increases in retirement pensions and income support I have already mentioned.

The most important relates to income support for those in residential care or nursing homes, on which a good deal of concern was expressed in the House during last week's debate on Community Care. I intend to increase Social Security payments by a further £120 million next year, including a £10 increase, from £140 a week to £150 a week, for the major categories of residential and nursing homes for elderly people.

I shall also deal with an anomaly in regard to the amount allowed for the personal expenses of those in hospital, which has the effect of leaving uncovered certain expenses they continue to incur at home. To meet this, the relevant allowance will be increased from x to x.

For elderly couples on income support, the capital rule which governs access to the Social Fund will be doubled from £500 to £1,000.

For war pensioners and war widows, the amount of income disregarded in calculating any entitlement to income-related benefits will be doubled from £5 to £10.

The total full year cost of these measures to help less-well-off pensioners, including this month's special premium increases, is £x million. They assist some 2 1/2 million people.

Last but not least, I come to the long-term sick and disabled and their carers.

CONFIDENTIAL

HC1131t/7

(14)

Mr Speaker, I have already said that taken as a whole, what I have announced will increase the social security budget by over £3 billion a year. Next year, at over £53 billion, it will for the first time exceed £1 billion a week. That is £12 billion more in real terms than in 1979, including a doubling in real terms of the amount we spend on the long-term sick and disabled. It is a further demonstration of the capacity which our benefit reforms have given us to focus effectively on groups with a special claim to our help as a community. And it clearly underlines our commitment to make that help available from the resources we have created through economic growth.

(15)

As a result of the series of important surveys which we commissioned four years ago from the Office of Population Censuses and Surveys, we now have more and better information than ever before about their numbers, needs and circumstances. In the light of that, I intend to come forward within the next few months - I hope before the turn of the year - with proposals to develop and improve the pattern of social security provision for this group.

This will entail looking at the balance within and between existing earnings replacement benefits, including both the contributory and non-contributory systems and the industrial injuries scheme; at the structure and extent of the help given with the additional costs of disablement, particularly for those who are disabled from birth, during childhood, or during their working life; and at ways of easing the transition from benefit to earnings.

All this will necessarily take some time to work out, to carry through any necessary legislation, and to implement. Meanwhile, however, there are pressing needs which should not wait, and I intend to make, at the next up-rating or as soon as practicable if the House agrees the necessary legislation, some ten immediate improvements which, for the convenience of the House, I will simply list.

1. The disability premium for adults in income related benefits will be increased by fxp for a single person and fx for a couple, which is x and x more than a straightforward up-rating and will give additional help to some $x000$.
2. The disability premium for families on income related benefits with disabled children will be aligned with the adult rate, which more than doubles it from x to x .
3. A carer's premium will be introduced into income support for those receiving Invalid Care Allowance, initially at a rate of $\text{£}10$ a week.
4. As has already been announced, Attendance Allowance will be made available to the terminally ill without the normal six months waiting period, to help over 50,000 people at a cost of nearly $\text{£}30$ million.

5. We shall also scrap the rule which prevents payment of £37.55 Attendance Allowance for children under 2, thus giving up to £32 a week extra to x000 families with severely disabled babies.
6. In consequence, Invalid Care Allowance at £26 a week will also be extended to those same families where one of the parents is at home as a carer.
7. Mobility Allowance will be extended to the deaf-blind, which means £25 a week for some 3000 people.
8. The amount which carers receiving Invalid Care Allowance can earn without affecting their ICA will be increased from £12 to £15 a week.
9. The amount which people on invalidity benefit or severe disablement allowance can earn without affecting those benefits, provided the work is medically certified as beneficial, will go up from £28.50 a week to £35 a week.
10. The Independent Living Fund, which has proved extremely successful in assisting many exceptionally severely disabled people with their very special needs, will be increased to nearly £24 million next year and over £31 million in 1991-92.

The total full year cost of these measures, over and above the normal up-rating of disability benefits generally, will be some £x million. They will give additional help to over x000 of the most deserving people in our society. In the case of a family with a severely handicapped small baby, they will bring a benefit increase of up to £x a week.

MR. TURNBULL

SOCIAL SECURITY: UPRATING STATEMENT

I had been hoping to fax out to you so that you could have on Monday evening your time, a copy of the draft Uprating Statement. But because of DSS/Treasury wrangling this was not possible.

The main problem has been DSS's wish to include in Wednesday's Uprating Statement all the good news from the PES Statement, leaving over all the bad news until the Autumn Statement; whereas the Treasury want to hold back some of the good news so that there is a more balanced package to announce with the Autumn Statement.

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The Prime Minister will also wish to note Tony Newton's request in his covering minute for an early opportunity to discuss privately the longer term issue of child benefit. She will recall discouraging Mr. Moore from pressing for such a meeting a year ago, on the grounds that this was not an issue to be pursued so far in advance of the next election. The Prime Minister will want to consider whether the time is yet ripe, or whether Mr. Newton should be encouraged to let the matter rest for a further year.

Sara Howe

PP PAUL GRAY

23 October 1989

NLC/8846p

Prime Minister

SOCIAL SECURITY: UPDATING STATEMENT

As you know, I propose to make a statement to the House about the updating of Social Security benefits on Wednesday 25 October. I attach a preliminary draft of the statement which I propose to circulate to colleagues tomorrow. It incorporates the measures that I have agreed with Norman Lamont in this year's Public Expenditure Survey and I would particularly draw your attention to two areas: extra help for low-income families and for disabled people.

First, on low income families, I have agreed with Norman that Child Benefit should be held at its present rate of £7.25 for a further year. Norman has dropped his proposal to assume no updating in later years. We have also agreed that the rates of benefit for low income families should be increased by £1 for each family on Family Credit and 50p for each family on Income Support. Together with measures affecting lone parents and disabled children, to which I refer in the statement, this will amount to an extra £75m in a full year on top of the automatic increases which poorer families receive to compensate for a standstill in Child Benefit. These measures will enable the least well off families to share in the increased prosperity of families generally, whilst improving incentives by giving more to those in work.



While I should be able to defend this settlement in the House, especially in view of the improvements I am also making for other priority groups, we should be under no illusion that a further freeze in the rate of Child Benefit will be strongly attacked, and that some of this attack will come from our own supporters. I think there is now a pressing need to defuse the uncertainty created by a succession of one-year freezes, which could leave us open to legal challenge (although the Law Officers' advice is that a challenge could not be founded on the fact that I had decided for several consecutive years not to increase the rate of benefit), and to put our policy on Child Benefit back on to a clear and public longer-term basis. I should welcome an early opportunity to discuss the issue privately with you.

Secondly, you will recall that disability benefits were specifically left out of the 1988 Social Security reforms pending further consideration in the light of the OPCS Surveys which had been set in hand. These surveys have now been completed, and I have agreed with Norman a balanced package of changes that I am confident will produce a much sounder and more coherent structure of benefits for the future.

I propose to announce the new structure in a White Paper around the turn of the year. The main elements will be a better earnings replacement benefit for the congenitally disabled, a disablement



costs allowance incorporating the present Mobility Allowance and Attendance Allowance and a Partial Incapacity Benefit to make it easier for disabled people to work. These changes represent important improvements. They will be balanced by two savings measures: the abolition of the Industrial Injuries scheme's Reduced Earnings Allowance for new cases from October 1990 and the abolition of additional pension in Invalidity Benefit for new earnings. The second change, will produce major savings in the longer term but its impact in the short term is small because existing claimants will be entirely unaffected and the accrued rights of future claimants will be protected and revalued in line with earnings. I believe both measures can be defended as part of a package which directs extra help to disabled people of the kind that I have been able to agree with Norman.

In the meantime, I propose to announce in my statement the measures which directly affect benefit rates in the coming year. These deal with many of the most important pressure points that currently face us, for example Mobility Allowance for the deaf/blind and a carers' premium for Income Support. Taken together, they provide an extra £105m help to disabled people in a full year, offset to some extent by the SSP savings to which I refer in the statement.



Finally, as regards pensioners, you announced in your Party Conference speech an increase in Retirement Pension from £43.60 to £46.90 a week. That will add £1.5 billion out of a total increase in Social Security spending of nearly £3 billion. On top of that, I shall refer to over £¹/₂ billion extra spending on special help for poorer pensioners and the abolition of the earnings rule. That is an excellent record.

I am copying this to Norman Lamont.

23 OCT 1989

TONY NEWTON

PRELIMINARY DRAFT

With permission, Mr Speaker, I wish to make a statement about the 1990 up-rating of social security benefits, which will take place in the week beginning 9 April next year, and certain other social security issues.

I turn first to the main national insurance benefits. As the House knows, the increase in the retail price index for the year to September 1989, which is the most up-to-date indicator available at the time when the up-rating process has to start, was 7.6 per cent.

Our commitment to raise the basic pension in line with that figure will again be fully carried out. It will therefore rise by £3.30 a week for a single person, from £43.60 to £46.90, and by £5.30 a week for a couple, from £69.80 to £75.10. With one exception, the same percentage increase will be applied to all other national insurance benefits, so that, for example, the rate of unemployment benefit will rise from x to x for a single person and y to y for a couple. The one exception is the higher rate of invalidity allowance, payable to those who become incapable of work at a relatively early age, which I propose to increase by a marginally higher proportion to take it to £10.

So far as Statutory Sick Pay paid through employers is concerned, the recent re-structuring of employees' national insurance contributions has left no very obvious point at which to set the line between the two different rates. I propose therefore to put it at the level where employer's contributions go up from 7 to 9 per cent, currently £115 a week. Since this will somewhat widen the lower rate band, I propose to make a significantly greater increase in the lower rate than the higher rate, which will have the additional advantage of doing more for the lower paid who are less likely to be covered by occupational sick pay schemes. The overall effect will be to increase the income of the national insurance fund by about £80 million. This will be redeployed in benefit increases.

I turn now to the income-related benefits - Income Support, Housing Benefit and Family Credit. The index to be applied here is the so-called Rossi index - that is to say, the increase in the Retail Price Index for costs other than housing costs. This simply reflects the fact that, for those in receipt of such benefits, actual housing costs are taken into account in their housing benefit itself.

The measured increase in this index in the year to September 1989 is 5.2 per cent. With a number of exceptions where I propose somewhat larger increases and to which I will return later in my statement, all the main rates of Income Support and the thresholds used for calculating Housing Benefit and Family Credit, will rise in line with this. Thus, for example, the Income Support rate for (standard case) will go up by £x a week from y to z.

Mr Speaker, the general up-rating I have so far described will cost some £x000 million in a full year. In the remainder of this statement I shall be setting out measures which we have set in hand in advance of the up-rating itself, or which we will take next year, which will raise that figure by £x000 million. They are designed to give additional help to three groups whose priority is, I believe, widely supported in the House; pensioners, especially those who are least well-off; low income families with children, including lone parents; and the long-term sick and disabled, together with those who care for them.

Before describing those measures - and there are some twenty of them - I should make it clear that, against the background of additional expenditure on that scale for these groups, I am not able to propose an increase in child benefit as well. In making that judgement about priorities, I have taken account of the fact that an increase in child benefit of itself does nothing for the least well-off and is indeed most beneficial for the most well-off; and that the take-home pay for those on average male earnings has already increased in the past year by some £20 a week, and will have been further increased by the national insurance reductions this month.

In this context I take first the low-income families with children. In addition to increases for disabled children and their families to which I shall come shortly, I have four changes to propose.

The family premium in income support will be increased from x to x, which is 50p a week more than a straightforward up-rating would have entailed. This will of course carry through into extra entitlement to housing benefit and community charge benefit also.

The adult credit in family credit will be increased from x to x, which is £1 a week more than would otherwise have occurred and will similarly also increase entitlement to housing benefit and community charge benefit.

For lone parents who are working, the lone parent premium in housing benefit (and community charge benefit?) will be increased by y per cent from £8.60 to £9.70. And the amount they can earn without affecting their benefit entitlement will be increased from £15 a week to £25 a week.

The maternity grant, which goes to those on income support or family credit who have a baby, will be increased by £15 to £100.

The total cost of these measures, including the £90m (?) which gives the full equivalent of a child benefit increase to these less-well-off families, is £x million in a full year.

They will help some x000 families, and in particular give greater encouragement to those lone parents who wish to work. They should also re-inforce our efforts to increase the number of people who take advantage of family credit. On that front, I am glad to be able to tell the House that family credit coverage rose by no less than 40,000? to 320,000? between March? and September? this year, which means that it is now taking nearly twice as much help to over 50 per cent more families than the old Family Income Supplement. We plan a further campaign in the next few months, with particular emphasis on lone parents, to make it more effective still.

Next, pensioners. As the House knows, we have this month swept away the injustice of the earnings rule, at a full year cost of £375 million, and provided up to £3.50 a week extra for the older or disabled pensioners on income support or housing benefit, at a full year cost of £200 million. I now propose four further steps, in addition to the general increases in retirement pensions and income support I have already mentioned.

The most important relates to income support for those in residential care or nursing homes, on which a good deal of concern was expressed in the House during last week's debate on Community Care. I intend to increase Social Security payments by a further £120 million? next year, including a £10 increase, from £140 a week to £150 a week, for the major categories of residential and nursing homes for elderly people.

I shall also deal with an anomaly in regard to the amount allowed for the personal expenses of those in hospital, which has the effect of leaving uncovered certain expenses they continue to incur at home. To meet this, the relevant allowance will be increased from x to x.

For elderly couples on income support, the capital rule which governs access to the Social Fund will be doubled from £500 to £1000.

For war pensioners and war widows, the amount of income disregarded in calculating any entitlement to income-related benefits will be doubled from £5 to £10.

The total full year cost of these measures to help less-well-off pensioners, including this months special premium increases, is £x million. They assist some $2\frac{1}{2}$ million people.

Last but not least, I come to the long-term sick and disabled and their carers.

As a result of the series of important surveys which we commissioned four years ago from the Office of Population Censuses and Surveys, we now have more and better information than ever before about their numbers, needs and circumstances. In the light of that, I intend to come forward within the next few months - I hope before the turn of the year - with proposals to develop and improve the pattern of social security provision for this group.

This will entail looking at the balance within and between existing earnings replacement benefits, including both the contributory and non-contributory systems and the industrial injuries scheme; at the structure and extent of the help given with the additional costs of disablement, particularly for those who are disabled from birth, during childhood, or during their working life; and at ways of easing the transition from benefit to earnings.

All this will necessarily take some time to work out, to carry through any necessary legislation, and to implement. Meanwhile, however, there are pressing needs which should not wait, and I intend to make, at the next up-rating or as soon as practicable if the House agrees the necessary legislation, some ten immediate improvements which, for the convenience of the House, I will simply list.

1. The disability premium for adults in income related benefits will be increased by $\pounds x$ for a single person and $\pounds x$ for a couple, which is x and x more than a straightforward up-rating and will give additional help to some $x000$.
2. The disability premium for families on income related benefits with disabled children will be aligned with the adult rate, which more than doubles it from x to x .
3. A carer's premium will be introduced into income support for those receiving Invalid Care Allowance, initially at a rate of $\pounds 10$ a week.
4. As has already been announced, Attendance Allowance will be made available to the terminally ill without the normal six months waiting period, to help over 50,000 people at a cost of nearly $\pounds 30$ million.

5. We shall also scrap the rule which prevents payment of £37.55 Attendance Allowance for children under 2, thus giving up to £32 a week extra to x000 families with severely disabled babies.
6. In consequence, Invalid Care Allowance at £26 a week will also be extended to those same families where one of the parents is at home as a carer.
7. Mobility Allowance will be extended to the deaf-blind, which means £25 a week for some 3000 people.
8. The amount which carers receiving Invalid CARE Allowance can earn without affecting their ICA will be increased from £12 to £15 a week.
9. The amount which people on invalidity benefit or severe disablement allowance can earn without affecting those benefits, provided the work is medically certified as beneficial, will go up from £28.50 a week to £35 a week.
10. The Independent Living Fund, which has proved extremely successful in assisting many exceptionally severely disabled people with their very special needs, will be increased to nearly £24 million next year and over £31 million in 1991-92.

The total full year cost of these measures, over and above the normal up-rating of disability benefits generally, will be some £x million. They will give additional help to over x000 of the most deserving people in our society. In the case of a family with a severely handicapped small baby, they will bring a benefit increase of up to £x a week.

Mr Speaker, I have already said that taken as a whole, what I have announced will increase the social security budget by over £3 billion a year. Next year, at over £53 billion, it will for the first time exceed £1 billion a week. That is £12 billion more in real terms than in 1979, including a doubling in real terms of the amount we spend on the long-term sick and disabled. It is a further demonstration of the capacity which our benefit reforms have given us to focus effectively on groups with a special claim to our help as a community. And it clearly underlines our commitment to make that help available from the resources we have created through economic growth.

NLC/8846p


*Overlaid
23/10**Q Q
DC
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Press*

Prime Minister

SOCIAL SECURITY: UPDATING STATEMENT

As you know, I propose to make a statement to the House about the updating of Social Security benefits on Wednesday 25 October. I attach a preliminary draft of the statement which I propose to circulate to colleagues tomorrow. It incorporates the measures that I have agreed with Norman Lamont in this year's Public Expenditure Survey and I would particularly draw your attention to two areas: extra help for low-income families and for disabled people.


First, on low income families, I have agreed with Norman that Child Benefit should be held at its present rate of £7.25 for a further year. The Chief Secretary has dropped his proposal to assume no updating in later years. We have also agreed that the rates of benefit for low income families should be increased by £1 for each family on Family Credit and 50p for each family on Income Support. Together with measures affecting lone parents and disabled children, to which I refer in the statement, this will amount to an extra £75m in a full year on top of the automatic increases which poorer families receive to compensate for a standstill in Child Benefit. These measures will enable the least well off families to share in the increased prosperity of families generally, whilst improving incentives by giving more to those in work.



While I should be able to defend this settlement in the House, especially in view of the improvements I am also making for other priority groups, we should be under no illusion that a further freeze in the rate of Child Benefit will be strongly attacked, and that some of this attack will come from our own supporters. I think there is now a pressing need to defuse the uncertainty created by a succession of one-year freezes, which could leave us open to legal challenge (although the Law Officers' advice is that a further freeze could be successfully resisted in the Courts), and to put our policy on Child Benefit back on to a clear and public longer-term basis. I should welcome an early opportunity to discuss the issue privately with you.

Secondly, you will recall that disability benefits were specifically left out of the 1988 Social Security reforms pending further consideration in the light of the OPCS Surveys which had been set in hand. These surveys have now been completed, and I have agreed with Norman a balanced package of changes that I am confident will produce a much sounder and more coherent structure of benefits for the future.

I propose to announce the new structure in a White Paper in December. The main elements will be a better earnings replacement benefit for the congenitally disabled, a disablement costs allowance incorporating the present Mobility Allowance and Attendance Allowance and a Partial Incapacity Benefit to make it easier for disabled people to work. These changes represent important improvements. They will be balanced by two savings measures: the abolition of the Industrial Injuries scheme's Reduced Earnings

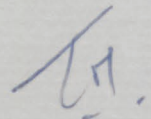


Allowance for new cases from October 1990 and the abolition of additional pension in Invalidity Benefit for new earnings. The second change, will produce major savings in the longer term but its impact in the short term is small because existing claimants will be entirely unaffected and the accrued rights of future claimants will be protected and revalued in line with earnings. I believe both measures can be defended as part of a package which directs extra help to disabled people of the kind that I have been able to agree with Norman.

In the meantime, I propose to announce in my statement the measures which directly affect benefit rates in the coming year. These deal with many of the most important pressure points that currently face us, for example Mobility Allowance for the deaf/blind and a carers' premium for Income Support. Taken together, they provide an extra £105m help to disabled people in a full year, offset to some extent by the SSP savings to which I refer in the statement.

Finally, as regards pensioners, you announced in your Party Conference speech an increase in Retirement Pension from £43.60 to £46.90 a week. That will add £1.5 billion out of a total increase in Social Security spending of nearly £3 billion. On top of that, I shall refer to over £¹/₂ billion extra spending on special help for poorer families and the abolition of the earnings rule. That is an excellent record.

I am copying this to Norman Lamont.



23 OCT 1989

TONY NEWTON

PRELIMINARY DRAFT

With permission, Mr Speaker, I wish to make a statement about the 1990 up-rating of social security benefits, which will take place in the week beginning 9 April next year, and certain other social security issues.

I turn first to the main national insurance benefits. As the House knows, the increase in the retail price index for the year to September 1989, which is the most up-to-date indicator available at the time when the up-rating process has to start, was 7.6 per cent.

Our commitment to raise the basic pension in line with that figure will again be fully carried out. It will therefore rise by £3.30 a week for a single person, from £43.60 to £46.90, and by £5.30 a week for a couple, from £69.80 to £75.10. With one exception, the same percentage increase will be applied to all other national insurance benefits, so that, for example, the rate of unemployment benefit will rise from x to x for a single person and y to y for a couple. The one exception is the higher rate of invalidity allowance, payable to those who become incapable of work at a relatively early age, which I propose to set at £10 instead of the £9.90 which the up-rating percentage would otherwise have indicated.

So far as Statutory Sick Pay paid through employers is concerned, the recent re-structuring of employees' national insurance contributions has left no very obvious point at which to set the line between the two different rates. I propose therefore to put it at the level where employer's contributions go up from 7 to 9 per cent, which is likely to be at about £125 a week. Since this will somewhat widen the lower rate band, I propose to make a significantly greater increase in the lower rate than the higher rate, which will have the additional advantage of doing more for the lower paid who are less likely to be covered by occupational sick pay schemes. The overall effect will be to increase the net yield of employers' national insurance contributions by about £x million. This will be redeployed in benefit increases.

I turn now to the income-related benefits - Income Support, Housing Benefit and Family Credit. The index to be applied here is the so-called Rossi index - that is to say, the increase in the Retail Price Index for costs other than housing costs. This simply reflects the fact that, for those in receipt of such benefits, actual housing costs are taken into account in their housing benefit itself.

The measured increase in this index in the year to September 1989 is 5.2 per cent. With a number of exceptions where I propose somewhat larger increases and to which I will return later in my statement, all the main rates of Income Support and the thresholds used for calculating Housing Benefit and Family Credit, will rise in line with this. Thus, for example, the Income Support rate for (standard case) will go up by £x a week from y to z.

Mr Speaker, the general up-rating I have so far described will cost some £x000 million in a full year. In the remainder of this statement I shall be setting out measures which we have set in hand in advance of the up-rating itself, or which we will take next year, which will raise that figure by £x000 million. They are designed to give additional help to three groups whose priority is, I believe, widely supported in the House; pensioners, especially those who are least well-off; low income families with children, including lone parents; and the long-term sick and disabled, together with those who care for them.

Before describing those measures - and there are some twenty of them - I should make it clear that, against the background of additional expenditure on that scale for these groups, I am not able to propose an increase in child benefit as well. In making that judgement about priorities, I have taken account of the fact that an increase in child benefit of itself does nothing for the least well-off and is indeed most beneficial for the most well-off; that the take-home pay for those on average male earnings has already increased in the past year by some £20 a week, and will have been further increased by the national insurance reductions this month; that the tax changes due to take place next April will give particular advantage to families where one partner is staying at home to look after the children, who will gain by several pounds a week.

I do not therefore propose to increase child benefit. Instead, I intend to make a wide range of improvements for the priority groups to which I referred at the outset.

In this context I take first the low-income families with children. In addition to increases for disabled children and their families to which I shall come shortly, I have four changes to propose.

The family premium in income support will be increased from x to x, which is 50p a week more than a straightforward up-rating would have entailed. This will of course carry through into extra entitlement to housing benefit and community charge benefit also.

The adult credit in family credit will be increased from x to x, which is £1 a week more than would otherwise have occurred and will similarly also increase entitlement to housing benefit and community charge benefit.

For lone parents who are working, the lone parent premium in housing benefit (and community charge benefit?) will be increased by y per cent from £8.60 to £9.70. And the amount they can earn without affecting their benefit entitlement will be increased from £15 a week to £25 a week.

The maternity grant, which goes to those on income support or family credit who have a baby, will be increased by £15 to £100.

The total cost of these measures, including the £90m (?) which gives the full equivalent of a child benefit increase to these less-well-off families, is £x million in a full year.

They will help some x000 families, and in particular give greater encouragement to those lone parents who wish to work. They should also re-inforce our efforts to increase the number of people who take advantage of family credit. On that front, I am glad to be able to tell the House that family credit coverage rose by no less than 40,000? to 320,000? between March? and September? this year, which means that it is now taking nearly twice as much help to over 50 per cent more families than the old Family Income Supplement. We plan a further campaign in the next few months, with particular emphasis on lone parents, to make it more effective still.

Next, pensioners. As the House knows, we have this month swept away the injustice of the earnings rule, at a full year cost of £400 million, and provided up to £3.50 a week extra for the older or disabled pensioners on income support or housing benefit, at a full year cost of £200 million. I now propose four further steps, in addition to the general increases in retirement pensions and income support I have already mentioned.

The most important relates to income support for those in residential care or nursing homes, on which a good deal of concern was expressed in the House during last week's debate on Community Care. Social security payments for this purpose have risen from £10 million in 1979 to an estimated £1100 million this year. I intend to increase that amount by a further £120 million? next year, including a £10 increase, from £140 a week to £150 a week, for the major categories of residential and nursing homes for elderly people.

I shall also deal with the anomaly which has emerged in regard to the amount allowed for the personal expenses of those in hospital, which has the effect of leaving uncovered certain expenses they continue to incur at home. To meet this, the relevant allowance will be increased from x to x.

For elderly couples on income support, the capital rule which governs access to the Social Fund will be doubled from £500 to £1000.

For war pensioners and war widows, the amount of income disregarded in calculating any entitlement to income-related benefits will be doubled from £5 to £10.

The total full year cost of these measures to help less-well-off pensioners, including this month's special premium increases, is £x million. They assist some 2¹/₂ million people.

Last but not least, I come to the long-term sick and disabled and their carers.

As a result of the series of important surveys which we commissioned four years ago from the Office of Population Censuses and Surveys, we now have more and better information than ever before about their numbers, needs and circumstances. In the light of that, I intend to come forward within the next few months - I hope before the turn of the year - with proposals to develop and improve the pattern of social security provision for this group.

This will entail looking at the balance within and between existing earnings replacement benefits, including both the contributory and non-contributory systems and the industrial injuries scheme; at the structure and extent of the help given with the additional costs of disablement, particularly for those who are congenitally handicapped or disabled during their working life; and at ways of avoiding so many people being faced with the choice of being either wholly on or wholly off benefit.

Our three major aims will be to do more for those who at present receive only the lower non-contributory rates of earnings replacement benefit, to do more to help with the costs of those who fall somewhat below the present thresholds for mobility allowance and attendance allowance, and to introduce a partial incapacity benefit to assist the very large number of disabled people who would like to work but cannot do a normal full-time job.

All this will necessarily take some time to work out, to carry through any necessary legislation, and to implement. Meanwhile, however, there are a lot of pressing needs which should not wait, and I intend to make, at the next up-rating or as soon as practicable if the House agrees the necessary legislation, some twelve immediate improvements which, for the convenience of the House, I will simply list.

1. A new benefit, with the same rates and structure as the invalidity allowance paid with invalidity benefit, will be extended to those in receipt of the non-contributory Severe Disablement Allowance. This will take additional help of up to £10 a week to some x000 of the most severely disabled.

2. The disability premium for adults in income support will be increased by $\text{£}xp$ for a single person and $\text{£}x$ for a couple, which is x and x more than a straightforward up-rating and will give additional help to some $x000$.
3. The disability premium for children in families on income support will be aligned with the adult rate, which more than doubles it from x to x .
4. A carer's premium will be introduced into income support for those receiving Invalid Care Allowance, initially at a rate of $\text{£}10$ a week.
5. As has already been announced, Attendance Allowance will be made available to the terminally ill without the normal six months waiting period, to help over 50,000 people at a cost of nearly $\text{£}30$ million.
6. We shall also scrap the rule which prevents payment of Attendance Allowance for children under 2, thus giving up to $\text{£}32$ a week extra to $x000$ families with severely disabled babies.
7. In consequence, Invalid Care Allowance at $\text{£}26$ a week will also be extended to those same families where one of the parents is at home as a carer.
8. We shall ensure that those over retirement age who at present receive Mobility Allowance, who would currently lose it at 75, can continue to have it.
9. Mobility Allowance will be extended to the deaf-blind, which means $\text{£}25$ a week for some 3000 people.
10. The amount which carers receiving Invalid Care Allowance can earn without affecting their ICA will be increased from $\text{£}12$ to $\text{£}15$ a week.
11. The amount which people on invalidity benefit or severe disablement allowance can earn without affecting those benefits, provided the work is medically certified as beneficial, will go up from $\text{£}28.50$ a week to $\text{£}35$ a week.

12. The Independent Living Fund, which has proved extremely successful in assisting many exceptionally severely disabled people with their very special needs, will be increased to nearly ~~£20~~²⁴ million next year and over ~~£25~~³¹ million in 1991-92.

The total full year cost of these measures, over and above the normal up-rating of disability benefits generally, will be some £x million. They will give additional help to over x000 of the most deserving people in our society. In the case of a family with a severely handicapped small baby, they will bring a benefit increase of up to £x a week.

Mr Speaker, I have already said that taken as a whole, what I have announced will increase the social security budget by over £3 billion a year. Next year, at over £53 billion, it will for the first time exceed £1 billion a week. That is £12 billion more in real terms than in 1979, including a doubling in real terms of the amount we spend on the long-term sick and disabled. It is a further demonstration of the capacity which our benefit reforms have given us to focus effectively on groups with a special claim to our help as a community. And it clearly underlines our commitment to make that help available from the resources we have created through economic growth.

CCF



Treasury Chambers, Parliament Street SW1P 3AG

The Rt Hon John Wakeham MP
Secretary of State for Energy
Department of Energy
1 Palace Street
London
SW1E 5HE

*NBPM at this stage.
ALC
24/10*

23 October 1989

Duff Job

LOW INCOME HOUSEHOLDS: GRANTS FOR INSULATION

Thank you for your letter of ^{11/10} 25 September. I have also seen Malcolm Rifkind's letter of ^{11/10} 9 October.

2 I am content with the transfer of Energy Grant from the Department of Employment and Scottish Office Programmes to your own to finance the new insulation scheme.

3 We can anticipate both economic and wider policy benefits from the grants, but I think it is a good idea of yours to provide for a full evaluation against agreed targets in 3 years time.

4 One point which does concern me however is the possible invasion of privacy which could be associated with the proposal to allow suppliers of insulation services to put together schemes for multiple households, rather than requiring people to make applications for grants.

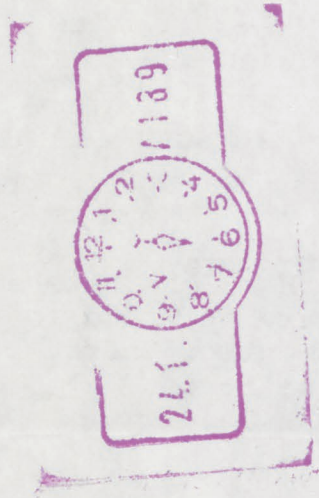
5 Secondly, I was concerned that, even though you have assumed that the cost will rise in later years, it is most important that a scheme is devised which is capable of being run within existing provision in order that next year's PES discussions are not pre-empted. I would therefore be grateful if your officials could let me have revised assumptions which meet this point.

6 I am copying this letter to the Prime Minister, Chris Patten, Norman Fowler, Malcolm Rifkind, Peter Walker, Tony Newton and to Kenneth Clarke.

[Handwritten signature]

NORMAN LAMONT

SOCIAL SERVICES : Uprating PTS



PAUL GRAY

SOCIAL SECURITY UPDATING STATEMENT

The Prime Minister has seen your minute of 19 October, and has commented that the statement must be on Wednesday. She wishes to take no chances with the handling of the Companies Bill which will provide another opportunity for mischief-making on companies contributions to political parties.

AT

ANDREW TURNBULL

20 October, 1989.

1 a-b

MR TURNBULL

It must be
Wednesday night

SOCIAL SECURITY UPDATING STATEMENT

Prime Minister
Discussed the Companies Bill could
provide an opportunity for raising Company
contributions to political parties. This
points to Wednesday. Agree? AT

We have an awkward handling issue on which I should be grateful if you could seek the Prime Minister's views. 20/10

As part of the public expenditure negotiations, final agreement has now been virtually reached on the social security programme. This includes a package for the annual updating involving a further freeze of child benefit.

In line with the practice adopted last year an updating statement ought to be made at some point next week. To delay it any further means an uncomfortably large gap since the publication of the relevant RPI figure. And it actually costs money - about £200,000 a week - to delay.

The obvious option would have been to make an announcement next Thursday afternoon, 26 October, with Cabinet being notified of the package the same morning. But parliamentary handling next Thursday afternoon is difficult;

- we already have PM's Questions, business questions and the Prime Minister's statement on CMOEM.
- the business for the day is the completion of the Companies Bill, for which there is no guillotine.
- the business managers are very concerned that if an updating statement was also added, the Companies Bill business would start so late that its passage would be put at risk.

So DSS and the business managers would like to have the updating statement on Wednesday 25. DSS suggest that they could send a note round to Cabinet Ministers on Tuesday 24 informing them of the package. But this would be a good deal less satisfactory in terms

SECRET

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b

of Cabinet handling, and could give an opportunity for some colleagues to say that they had not had a proper opportunity to comment on the child benefit decision.

So it is a matter of balancing Cabinet handling and parliamentary handling difficulties.

Would the Prime Minister prefer to work to Wednesday or Thursday?

Paul Gray

19 October 1989

a:ss

SECRET .

PAUL GRAY

SOCIAL SECURITY UPRATING STATEMENT

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20 October, 1989.

SECRET

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MR TURNBULL

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Paul Gray

19 October 1989

a:ss

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 PREIFAT YSGRIFENNYDD
 GWLADOL CYMRU

CT/4796/89



The Rt Hon Peter Walker MBE MP

NBBM
Rec
16/10

cku

WELSH OFFICE
 GWYDYR HOUSE
 WHITEHALL LONDON SW1A 2ER
 Tel. 01-270 3000 (Switchboard)
 01-270 0549 (Direct Line)

FROM THE PRIVATE SECRETARY
 TO THE SECRETARY OF STATE
 FOR WALES

16 October 1989

[Handwritten signature]

LOW INCOME HOUSEHOLDS; GRANTS FOR INSULATION

I have seen your letter of 25 September to Norman Lamont about the provision of financial support for insulation measures in dwellings occupied by those on low income.

I am content to support the principle of your proposals although I think that our officials will need to look carefully at the detail to ensure that there is no overlap with our new renovation grant arrangements.

I am sending copies of this letter to the Prime Minister, Lord President, Chris Patten, Norman Fowler, Malcolm Rifkind, Tony Newton, Kenneth Clarke and Norman Lamont.

[Large handwritten signature]

The Rt Hon John Wakeman MP
 House of Commons
 LONDON
 SW1A 0AA

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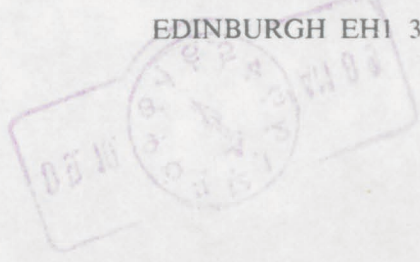
up rath~~er~~ of benefits p^{ts}.





ST. ANDREW'S HOUSE
EDINBURGH EH1 3DG

CCFO.



The Rt Hon Norman Lamont MP
Chief Secretary
HM Treasury
Parliament Street
LONDON
SW1P 3AG

Mr Lamont MP

Rec'd 10/10
9 October 1989

Dear Norman,

LOW INCOME HOUSEHOLDS: GRANTS FOR INSULATION *Chapter 4*

John Wakeham sent me a copy of his letter of 25 September to you, inviting me to agree that the new scheme which he proposes in his letter, for grants for basic thermal insulation of houses, should apply to Scotland as well as to England and Wales.

I am happy to give my agreement to that: I concur entirely with what John says about the advantages of having a unified scheme for Great Britain as a whole. In consequence, the Homes Insulation Scheme (HIS) in Scotland, which is not being abolished by the Local Government and Housing Bill, will have to be wound up and transitional arrangements made when the Scottish HIS is replaced by the new scheme. This will of course mean the incorporation of a very few provisions specifically for Scotland, which should be both short and simple, in the clauses setting up the new scheme in the Environmental Protection Bill.

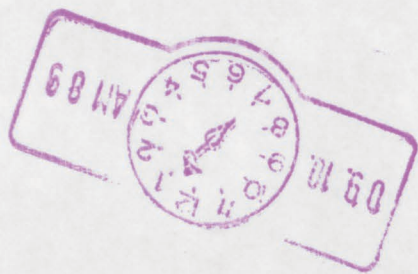
Finally, I am also willing to transfer my PES provision for the present HIS in Scotland to the Department of Energy when the new scheme becomes effective.

Copies of this letter go to the Prime Minister, John Wakeham, Chris Patten, Norman Fowler, Peter Walker, Tony Newton and Kenneth Clarke and to the Lord President.

MALCOLM RIFKIND

SOC SERVS : upgrading of benefits

pt 5





2 MARSHAM STREET
LONDON SW1P 3EB
01-276 3000

My ref:

Your ref:

The Rt Hon John Wakeham MP
Department of Energy
Thames House South
Millbank
LONDON
SW1

WJPM

BCC

2/10/89 2 October 1989

Dear Secretary of State

LOW INCOME HOUSEHOLDS; GRANTS FOR INSULATION

In your letter of 25 September to the Chief Secretary you set out your proposals for an initiative for a new scheme of grants for insulation in dwellings occupied by those on low incomes.

As you know, I am happy to support you on the merits of the proposal.

I am concerned, however, that there may have been some misunderstanding of our position on whether the proposed Environment Protection Bill could conveniently accommodate this. We must first consider, with the benefit of advice from Parliamentary Counsel, whether the impact of such an addition to the measures already agreed would alter the scope and title of the Environment Protection Bill to such an extent as to jeopardise its presentation and handling. I hope to write to you on this point shortly.

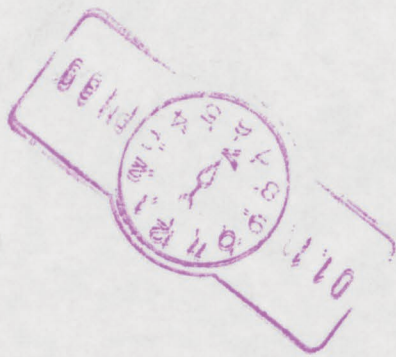
I can assure you that we would like to be able to take on this proposal but clearly we must be absolutely clear about the legislative implications.

I am copying this letter to those to whom you copied yours and to the Lord President, to whom I am also sending a copy of your letter.

CEJ Bush

PP CHRIS PATTEN

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



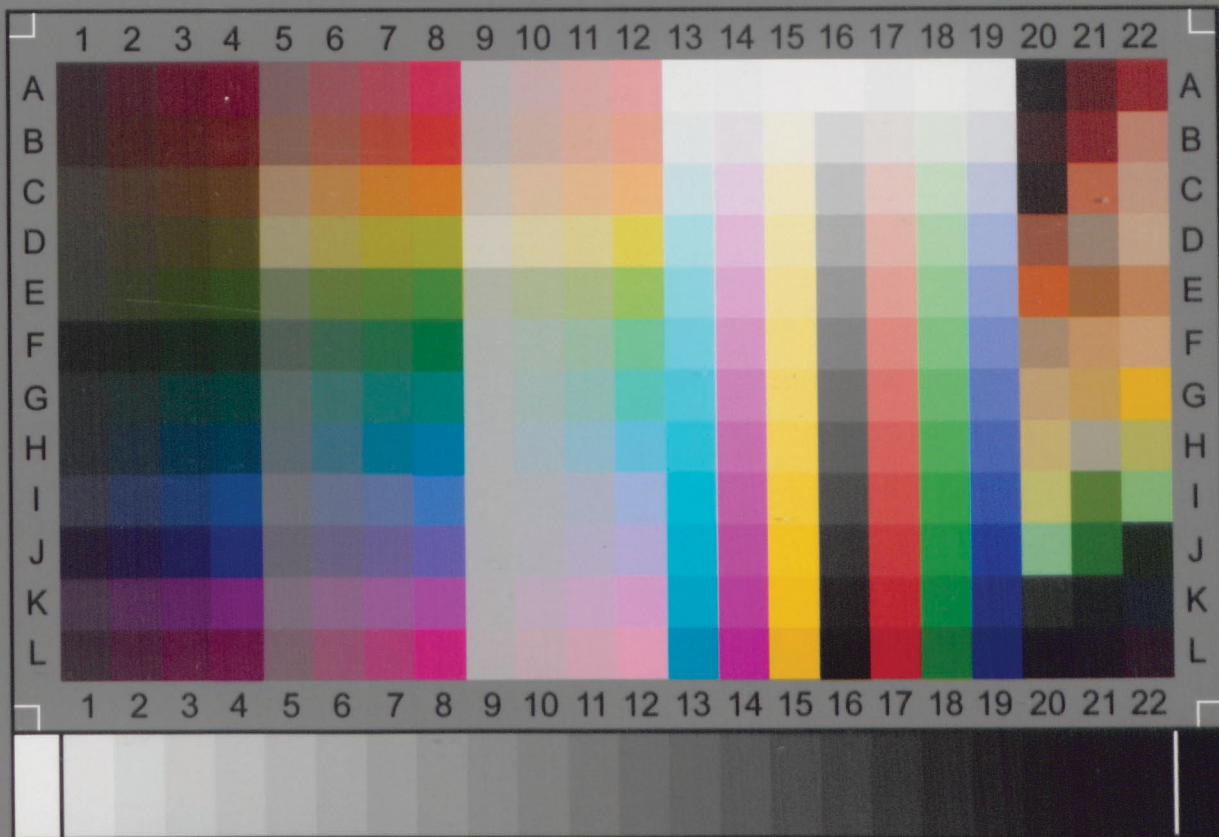
PART 5. 4. ends:-

Paul Gray to Pm 29.9.89.

PART 5. begins:-

SS/DoE to SS/fue94

2.10.89



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