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BUDGET CONFIDENTIAL

Prime Minister

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
Treasury Chambers  
Great George Street  
LONDON  
SW1

The Treasury are going to resist this. Do you wish to intervene?

J. March 1982

MW 8/3

*TOW J Risher  
Make the PM think  
it will matter  
Allow to  
have this  
row.*

SUPPLEMENTARY BENEFIT HEATING ADDITIONS

One item left unresolved in our meeting this afternoon was the uprating of heating additions in November. I promised to write to you after reflecting on the point.

The question is whether we reduce next November's uprating of heating additions in order to claw back the "overshoot" in the November 1981 uprating. This would save some £10 million in expenditure, since provision has been made for a full uprating. The overshoot, as you know, was mainly due to rebates given to electricity consumers in the autumn of 1981.

I entirely agree that it would be logical to recover the overshoot, but there are strong practical reasons for not doing so.

We should be accused of making a saving at the expense of the poorest householders. The additions go to those with special needs and include supplementary pensioners over 70 and families on supplementary allowance with a child under five. We made great play of these additions when we came under pressure earlier this year about high fuel bills because of the severe winter. We don't want to see this campaign reopened. And our ability to resist the pressures would be very much weakened if we appeared (however justifiably) to be cutting back on the additions.

We do rely very much on the help we give through supplementary benefits as a defence against those who attack our policy of economic pricing for fuel. If this defence were weakened, because we no longer appeared so ready to help hard pressed families, the cost to the Treasury could be much higher than £10m.

Altogether, having reflected on this, I still think that it would be much better, on this occasion, not to claw back the overshoot. Instead, we should take credit for deliberately making an exception to our normal policy of recovering overshoot in recognition of the impact of higher fuel bills on the families concerned.

E. R.

I am copying this to the Prime Minister, in view of recent pressures on the supplementary benefit front, and to Nigel Lawson, as we agreed, because of the possible effect on energy pricing policy.

*J. Jones*

*N. Fowler*

NORMAN FOWLER