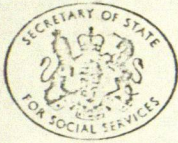


cc Mr Gow  
 Mr Ingham  
 Mr Scholar

Treasury



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The Rt Hon Sir Geoffrey Howe QC MP  
 Chancellor of the Exchequer  
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 Great George Street  
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Geo Geoffrey

December 7 1981.

PUBLIC EXPENDITURE DEBATE

Chris Patten approached me during Thursday's debate on social security to raise with me a particular aspect of your announcement last week. His point was that the decision not to make good the shortfall expected this year for supplementary benefit in his view fell short of commitments given to the House last March both by you and Patrick Jenkin. He drew my attention to two particular statements. The first was made by you in the 1980 budget when you said:

"Again, any civilised society should provide a safety net below which a poor person's standard of living should not fall. We can all debate what is the proper level. Should it be a relative level or, as Beveridge had contemplated, an absolute level, which seeks to meet the basic needs of a person and his family? These are difficult questions. The answers are not made any easier by the fact that the supplementary benefit scheme covers so many varied circumstances, with more than three million beneficiaries at any one time, ranging from the old and infirm to healthy young people capable of work. But clearly no action we take should be at the expense of the really weak and needy. Accordingly we propose that supplementary benefit rates, too, will be increased next November in line with the projected level of prices. A large part of the additional help with fuel costs which I have just announced will also go to supplementary benefit recipients, particularly the old and those with young children."

[HC Deb, 26 March 1980, cc 1458-91]

The Second was made by Patrick Jenkin in his statement the day following when he said:

"The Government are determined to maintain the safety net for the poorest people, and accordingly the scale rates of short term supplementary benefit will be fully price protected by increasing them in line with the 16½ per cent forecast."



The savings that we have identified affect primarily those on short-term benefit, above the supplementary benefit level. Though I cannot pretend that they will be welcome, I must stress again that the "safety-net" - the short-term supplementary benefit level below which none shall fall - retains its real value."

[HC Deb., 27 March 1980, cc 1659, 1660]

In his note to me Chris gave warning that he intends to ask "what the Government had in mind when Ministers made these statements". Clearly he intends to raise these points in the debate tomorrow and can be expected to attract some support from others on our own Benches as well as the other side. (We should remember that he is a former Parliamentary Private Secretary to Patrick Jenkin.) There is the further problem which arose in the Adjournment Debate last Thursday of whether long term supplementary allowance should have been included in the benefits on which the shortfall would be made good given the terms of your statement. I attach the relevant Hansard Report.

I have been considering here how we might best advise you to deal with these points. The first point to make is what we have achieved for social services generally - increasing real expenditure on both health and social services. But on the shortfall, and in particular the question of supplementary allowances, we could reduce the temperature by reminding the House that final decisions on the precise amounts in the 1982 uprating will be taken as usual next spring and we will look carefully then at the points raised. This would not commit us to any changes and would give us time to look more carefully at the exclusion of long term supplementary allowances from complete price protection when it is a long term benefit paid for example to disabled people.

This is very much for your judgement in the light of the form of your opening speech but it does seem to me that a form of words on the lines I have suggested could ease the debate without making concessions. What we must avoid is being forced into concessions.

I am copying this letter to the Prime Minister, Michael Jopling and Leon Brittan.

A handwritten signature in dark ink, appearing to read 'Norman Fowler', with a large, sweeping flourish at the end.

NORMAN FOWLER



[Mr. Brynmor John]

There is a danger that the Chancellor of the Exchequer—I choose my words carefully, because I do not believe that it was deliberate—concealed some of the truth yesterday when he said:

“For retirement pensions and other long-term benefits, the shortfall will be made good”.—[*Official Report*, 2 December 1981; Vol. 14, c. 239.]

I hope that the hon. Lady will confirm that what we have said is correct—that long-term supplementary allowances are not to be made good. There will be a shortfall, so to that extent the Chancellor of the Exchequer misled the House yesterday.

Mr. Andrew F. Bennett: Again.

Mr. John: The right hon. and learned Gentleman has a habit of doing that by accident, as if he trips over the front step every time he tries to go through his front door.

Great play was made on the alignment of benefits. Can one now say, with three rates of benefit, that they are any longer aligned? If so, may I ask the Minister a question once again? She seemed confident and relaxed before, but I do not believe that it is as simple as that. Will the changes in rates and the disalignment need legislation to put them right? I believe that there might have to be a Bill. If so, the Government had better tell us quickly. The Minister had better stop pretending that there has been a great simplification of social security under his Government, when he has just created three rates that were not there before.

I come to my final point because I must give the Minister a chance to reply to the many points that have been made. Although the two Government spokesmen will have spoken in the debate, it is important to the many hon. Members who have raised points that they should have an opportunity to reply. I reiterate to the Minister that we do not believe that in singling out the categories of person that the Chancellor singled out yesterday he was according with the wishes of either of the majority of the House of Commons or of the majority of the nation.

The hon. Member for Woolwich, West said that he would prefer to try beating the Chancellor of the Exchequer over the head with a soft pillow for the next four months, to persuade him of the correctness of his view. Even the hon. Gentleman would admit that there are many Members sitting on the Conservative Back Benches who are deeply apprehensive. Otherwise, why did the Chancellor of the Exchequer have such a rapturous reception from his Back Benchers at the meeting in the House of Commons last night? There is no majority in the House of Commons, and certainly no majority in the country, for his measure. The country does not take to a Government who single out the weakest in our society or the unfortunate for the harshest treatment.

Unless the Government remind themselves that their duty, as the many statements seem to suggest, is to protect the weakest in our society, that will devalue not only their words before the election—God knows those words were devalued quite quickly anyway—but all the assurances given by Ministers in the House. Despite everything that is said about the parliamentary process, I still believe that Ministers' words given in the House of Commons should mean something. If they do, it is time that this Administration lived up to them.

10.17 pm

The Under-Secretary of State for Health and Social Security (Mrs. Lynda Chalker): I shall do my best in the short time available, if I am permitted by the House to do so, to wind up the debate and answer as many as possible of the questions that have been posed.

I congratulate the hon. member for Stockport, North (Mr. Bennett) on initiating a Supply day debate. I say that because that is much more like what we have had today. The hon. Member for Birmingham, Perry Barr (Mr. Rooker) had better look to his laurels, because he has trotted off on a Thursday evening.

The debate has been wide. The speech of my hon. Friend the Minister for Social Security was a clear exposition of the detail that could not be included, for obvious reasons, in the speech of my right hon. and learned Friend the Chancellor of the Exchequer yesterday. There is an additional £2.5 billion in 1982-83 on top of the large sums that we now spend. It behoves us all in the House, whichever party we represent and whatever the make-up of our constituencies, to realise the vast rate of increase in our benefit expenditure, which is largely spent on the retired and the handicapped. It is necessary expenditure with which we all agree.

One thing that worries me considerably is the total lack of appreciation—sometimes within the House, but certainly outside—of the level of spending on pensioners, which we do not regret for a moment but which must be financed for years ahead. At a time like this, it behoves us to realise that 43 per cent. of the spend is for retirement pensioners. A further 8 per cent. or more goes to the handicapped, who are covered by special national insurance benefits. Further amounts can be added for supplementary benefits paid out of the Consolidated Fund.

The vast majority of social security spending goes to elderly people and people who are very much in need. I therefore appreciate what has been said by a number of hon. Members.

The thing that does not seem to have got home to hon. Members is that 60 per cent. of all benefit expenditure is covered by the Government's guarantee to make good the shortfall, be it 1.8 per cent., 1.9 per cent., or 2 per cent. We have had to look at where we could make a contribution to what was being demanded of all Government Departments by the Treasury.

The shortfall announced by the Chancellor will total £65 million in 1982-83. We should remind ourselves of exactly what that is compared with the cuts made by the Labour Government in 1976. That £500 million then saved by switching the method of uprating from the historical method used on the two previous occasions to the forecasting method that has been subsequently used would, at today's prices, be making a cut of £925 million in social security expenditure.

The shortfall that is not being made good, which is the only saving that the Treasury is taking from the DHSS on this occasion, is £65 million in 1982-83. It is high time that everybody got those figures clearly in their heads once and for all. I am grateful to my hon. Friend the Member for Anglesey (Mr. Best) for pointing those figures out. He told me that he had to leave to return to a previous engagement.

There have been a number of other comments about what has gone on previously. Pensions have gone up by more than the increase in prices under both the previous and present Administrations. Even if we allow for a



November 1980 to November 1981 inflation rate of 12 per cent., the pension increase now is ahead of the price increase for the same period. We seem to forget those basic facts. That is why I have taken a few moments to repeat them so that no one is in any doubt.

I was asked to repeat the list given by my hon. Friend in his earlier remarks of the benefits that are covered by the Chancellor's pledge—

**Mr. John :** Are not covered.

**Mrs. Chalker :** I was also asked to list those that are covered. Perhaps I can deal with them all. I was asked to list those benefits that are covered by the Chancellor's pledge to make good the 2 per cent. shortfall, if it be as much as that. I particularly do so in view of the exchange between my hon. Friend the Member for Anglesey and the hon. Member for Stockport, North (Mr. Bennett) on widows' allowance.

Those benefits where the shortfall will be made good are retirement pension—both national insurance and non-contributory; widows' pension, including widowed mothers' allowance and widows' allowance; industrial death benefit paid as widows' or widowers' pension; war disablement pension; war widows' pension; industrial disablement pension; attendance allowance; invalid care allowance; invalidity benefit; non-contributory invalidity benefit; unemployment supplement; and, supplementary pension.

For the sake of the record, I shall go further and list the other benefits that are not pledged by my right hon. and learned Friend the Chancellor of the Exchequer—unemployment benefit, sickness benefit, injury benefit, maternity allowance, child benefit—including one-parent benefit—family income supplement, mobility allowance and supplementary allowance. That is the complete list. I hope that now that we have those benefits on the record there will be no confusion.

The hon. Member for Ashfield (Mr. Haynes) made many comments, one of which concerned the take-up of benefit. He spoke in elaborate terms about Strathclyde, as though its wide-targeted campaign of last year had continued. Most hon. Members who follow these matters with care will know that the only reason for being critical of the so-called take-up campaign that Strathclyde initially ran was that it raised false expectations. The way in which it was carried out created chaos. It produced 340 people with some entitlement to regular weekly benefit, and it occurred just before the change from the old system to the new. It also did something that was cruel to many people. It raised expectations unfairly.

I am delighted to say that with that bad experience behind us we have moved on a long way. In my meetings with the social work chairmen of Strathclyde and others in Scotland, we have reached a *modus vivendi* whereby we consult and make sure that it is a closely targeted campaign in which the local office of the DHSS can respond to

inquiries. That is the way to improve take-up, not to go on a wild goose chase that cruelly gives expectations to those who should not have them. Other authorities in the country that are working with local offices are doing a better job than ever.

I was asked about the three rates of supplementary benefit—the two rates of supplementary allowance, and the supplementary pension. I take the point made by the hon. Member for Pontypidd (Mr. John) on alignment. I am further advised that we do not require primary legislation because the details of rates and entitlements are worked out through the regulations. My hon. Friend the Minister and I have taken careful note of the remarks that have been made about the three rates, and we shall look further into the shortfall on the long-term supplementary allowance.

I come now to the remarks made by the hon. Member for Ashfield on the mobility allowance. Twice during the debate he made some scurrilous accusations. I should like to put him right. If there has been a withdrawal of mobility allowance, it can only be on medical grounds, and anyone from whom that allowance was withdrawn has the right of appeal. If the hon. Gentleman did not advise his constituents to appeal in that circumstance, I am sorry. It is clearly laid down—

**Mr. Haynes :** More now than ever.

**Mrs. Chalker :** If the hon. Gentleman's local offices are not following up matters with care—I shall read the record of what he said with diligence—I shall have something to say about it. I hope that it is clear that a person from whom an allowance is removed has the right to appeal.

Many hon. Members mentioned child benefit. No one underestimates the importance of that benefit. I shall bring those remarks to the notice of my right hon. and learned Friend the Chancellor of the Exchequer. Even for those who will be new recipients of child benefit in 1982, there are special provisions to allow them to receive the benefit weekly if necessary.

Many questions were raised on health. I remind the House that there are now 9,000 more nurses and midwives, more than 1,000 extra doctors and more than 1,000 extra paramedical staff than in May 1979. That is one of the main reasons why we have been able to reduce the waiting lists. I remind the House that we are continuing the previous provision for expansion of the hospital and community health services. We intend to allow the resources to expand at the previously planned rates. The pressures of economic restraints are not—

*The Question having been proposed after Ten o'clock and the debate having continued for half an hour, Mr. DEPUTY SPEAKER adjourned the House without Question put, pursuant to the Standing Order.*

*Adjourned at half past Ten o'clock.*