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cc Press
Mr Gow



Prime Minister
Contact with
Mr Tenkin's statement? 1.

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

MAF
10/3

Mike Pattison Esq
Private Secretary
10 Downing Street
LONDON SW1

10 March 1981

Dear Mike

STATEMENT ON THE UPDATING OF SOCIAL SECURITY BENEFITS

I enclose a copy of the statement which will be made to the House of Commons by my Secretary of State on 11 March. It will be repeated in the Lords by the Baroness Young. Some amendments or additions may be needed following the Chancellor's statement today.

Copies of this letter and the statement go to Richard Tolkien, Nick Huxtable, Michael Pownall and Barry Hilton.

Yours ever
Mike

MIKE TULLY

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DRAFT STATEMENT ON THE UPRATING

WEDNESDAY 11 MARCH 1981

I will, with permission, Mr Speaker, make a statement about the increases in social security benefits. The increases which will come into operation on 23 November next will be embodied in an Uprating Order and other instruments to be laid after the Social Security Bill becomes law.

The standard rate of basic retirement pension for a single person will go up by £2.45 a week from £27.15 to £29.60. The rate for a married couple will go up by £3.90 from £43.45 to £47.35. Other long term benefits which will be similarly increased include widow's pensions, industrial disablement pensions, non-contributory invalidity pension, and attendance allowance.

The standard rate of sickness benefit and unemployment benefit will go up by £1.85 for a single person from £20.65 to £22.50, and by £3.00 from £33.40 to £36.40 for a married couple. The increases in invalidity pension will be somewhat higher - for a single person the increase will be £2.35 taking the pension from £26.00 to £28.35, and for a married couple the increase will be £3.75 a week, increasing the invalidity pension from £41.60 to £45.35 a week.

In calculating the new rates of benefit account has been taken both of the one per cent adjustment provided for by the Social Security Bill, to which the House gave a Second Reading on 24 February and of the forecast, given by my Rt Hon and Learned Friend, the Chancellor of the Exchequer, yesterday of a 10 per cent increase in the retail price index between November 1980 and November 1981. As I said on the Second Reading of the Bill, I would have wished that we did not have to make this adjustment, but given the very tight constraints on public spending, to which my Rt Hon and Learned Friend referred yesterday, we simply cannot afford the extra £225 million in a full year, which the uprating of benefits would otherwise have cost.

Supplementary benefits will all be increased next November on the same basis as National Insurance Benefits. War pensions will go up similarly at the same time, and a Christmas bonus of £10 will be paid on the same basis as last year.

For public sector pensions, earnings-related components in national insurance pensions, and the pensions payable under the old graduated scheme, where there are no standard rates, the same principle of the one per cent adjustment will apply. This will increase existing rates by 9.06 per cent. The same increase will apply to those who receive guaranteed minimum pensions from contracted-out occupational pension schemes.

Last July I told the House that subject to economic and other circumstances we would maintain the value of child benefit in line with prices. As announced yesterday by the Chancellor, child benefit will be increased by 50p to £5.25 a week for each child - a $10\frac{1}{2}$ per cent rise - a little more than the expected rise in prices. One-parent benefit - the premium paid to lone parents - will go up from £3.00 to £3.30 a week. Thus, a one-parent family with two children will get £13.80 a week, compared with £12.50 at present.

The prescribed levels of income for family income supplement will go up by £7.00 to £74.00 weekly for one-child families and the additional amount for each further child will be raised to £8.00 a week.

I am glad to be able to announce, in the International Year of Disabled People, a substantial increase in mobility allowance - from £14.50 a week to £16.50. This is an increase of nearly 14 per cent and marks the importance which we attach to this allowance. We are particularly anxious to continue to make it possible for as many disabled people as can to lease or buy cars from Motability, and this increase will help to ensure the continuing success of that scheme.

Turning to invalidity benefit, the Chancellor made it clear yesterday that it will not be possible to bring this benefit into tax before 1983, but I am anxious to make a start towards the restoration of the value of this benefit in advance of that date. I therefore propose to restore the value of the invalidity allowances in November. These are the sums paid on top of the invalidity pension and depend on the claimant's age when incapacity begins. The cost of restoring these allowances and of the increase in real terms of the mobility allowance, will be met from the Contingency Reserve. Our pledge to restore the value of the invalidity pension itself when it comes into taxation now stands unqualified.

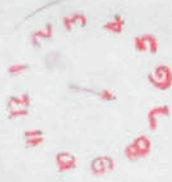
Rising fuel costs are causing increasing anxiety among needy people, and the Government has every sympathy with the difficulties which they face. Last November we introduced the most generous fuel assistance package ever. We raised annual spending on fuel aid to over £200 million, concentrated on giving substantial help to those in the greatest need. This year, we aim to protect the value of that advance. Supplementary benefit heating additions, therefore, including the special boost we gave them last year, will be increased in line with expected rise in fuel prices between November 1980 and November 1981.

The basic rates of heating addition and the central heating addition will go up from £1.40 a week to £1.65 (that is to £85.80 a year). Around 1½ million people will benefit from this increase, including all supplementary pensioner householders over the age of 70, and supplementary benefit householders with children under five. The higher rate heating addition will rise from £3.40 to £4.05, or £210.60 a year. Over 400,000 people are getting this increase, and they include the most severely disabled who get it automatically. These increases in heating additions will cost an extra £40 million in a full year, which means that our total spending on fuel assistance will rise to over £250 million and will benefit over 2¼ million people.

The cost of this uprating will be about £2 billion in a full year. About £1½ billion will fall on the National Insurance Fund, and the balance comes out of the Consolidated Fund. I shall be reviewing contribution rates as usual in the autumn and any necessary changes will take effect from April 1982. For the convenience of the House, I am circulating details of the new rates of benefits in the Official Report, and copies are available in the Vote Office.

This package of measures will bring help to the least privileged members of the community. The increase in pensions maintains our commitment to protect the real value of the pension over the life-time of this Parliament. The increases in child benefit and the premium for one-parent families fulfil the undertaking to maintain the value of child benefit which I gave to the House in July last year. These increases and that in family income supplement are an indication of the importance we attach to family support. The increase in mobility allowance and invalidity allowances for the disabled, and the heating additions for the needy demonstrate our concern for these hard pressed groups. Of course all of us, on both sides of the House, wish we could do more. But we have to take account of what we can afford. I hope the House will agree that the measures proposed are evidence of our determination to protect the most vulnerable in these very difficult times.

10 MAR 1981



STATEMENT BY THE SECRETARY OF STATE FOR SOCIAL SERVICES

THE RT HON PATRICK JENKIN

WEDNESDAY 11 MARCH

SOCIAL SECURITY BENEFITS UPDATING

I will, with permission, Mr Speaker, make a statement about the increases in social security benefits. The necessary updating order will come into operation on 23 November next. This and the other Updating Instruments will be laid after the Social Security Bill becomes law.

The standard rate of basic retirement pension for a single person will go up by £2.45 a week from £27.15 to £29.60. The rate for a married couple will go up by £3.90 from £43.45 to £47.35. Other long term benefits which will be similarly increased include widow's pensions, industrial disablement pensions, non-contributory invalidity pension, and attendance allowance.

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In calculating the new rates of benefit account has been taken both of the one per cent adjustment provided for by the Social Security Bill, to which the House gave a Second Reading on 24 February and of the forecast, given by my Rt Hon and Learned Friend, the Chancellor of the Exchequer, yesterday of a 10 per cent increase in the retail price index between November 1980 and November 1981. As I said on the Second Reading of the Bill, I would have wished that we did not have to make this adjustment, but given the very tight constraints on public spending, which the Chancellor emphasised yesterday, we simply cannot afford the extra £225 million in a full year, which the uprating of benefits would otherwise have cost.

Supplementary benefits will all be increased next November on the same basis as National Insurance Benefits. War pensions will go up similarly and a Christmas bonus of £10 will be paid on the same basis as last year.

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Turning to invalidity benefit, the Chancellor made it clear yesterday that it will not be possible to bring this benefit into tax next year, but I am anxious to make a start towards the restoration of the value of this benefit in advance of taxation. I therefore propose to restore the value of the invalidity allowances this November. These are the sums paid on top of the invalidity pension and depend on the claimant's age when incapacity begins. The cost of restoring these allowances and of the increase in real terms of the mobility allowance, will be met from the Contingency Reserve. Our pledge to restore the value of the invalidity pension itself when it comes into taxation now stands unqualified.

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