

PRIME MINISTER

SIR DAVID ENGLISH

David English (who may be accompanied by Gordon Greig) is coming in for an interview tomorrow at 3pm.

He wants predominantly to discuss the reform of the welfare state and proposes to give lots of space to your views.

The timing is okay for the social security debate: they will not leave No 10 before the Commons debate has started so you will be able to give them a good briefing on the easements which will be revealed in it and which may be the news on Thursday morning.

As always his interest is in current events - in this case broadly defined: ie the rough water which you have run into over the community charge and on social security and NHS reform.

You can turn this interest to helpful account in a friendly newspaper immediately before the local elections by explaining your approach.

David English's approach is that the Government has nothing to apologise for in pursuing its objective of making the welfare state work better for those in real need. It is bound to run into opposition in doing this. But the important thing is for it to operate flexibly - as indeed he thinks it has - when it finds that the line has been drawn too tightly.

But he clearly thinks the Government could do well better to explain what it is trying to do and he believes tomorrow's interview will be a good opportunity for you to do this.

Handling

I think it is important for you to go back to first principles on each issue:

- community charge                      greater fairness and more rigorous political accountability for local government
  
- housing benefit                      unfair that 2 out of 3 households should not only keep themselves but also the third in a land of rising affluence
  
- social security generally              to concentrate help where most needed and to get rid of earnings trap

- NHS

to run it for the benefit of the patients rather than for the convenience of those whose job it is to treat the patients and to find ways (a) of improving the efficiency with which health care is delivered; and (b) financing the escalating cost of treatment through the rising age of population and the dramatic advance of medical and operative techniques

It might reasonably be argued that no one could quarrel with these objectives; they command wide support in Britain. The problems, as ever, arise in working them out on the ground.

And they are all the more difficult in Britain:

- which is conservative with a small "c"; it seems to abhor change, even when things obviously are not working well
- in which 35 years of creeping socialism has bred a dependent culture
- where the prevailing attitude seems to be that anyone and everyone, once having obtained some benefit, is entitled to go on drawing it, even if they have won the pools or hit the jackpot

The difficulties in the House underline the problem of changing the ethos of Britain, but you will plough on because you believe

- i) your plans are fair and fairer than the system they replace
- ii) aim to concentrate help where it is most needed
- iii) in the case of the NHS aim to improve patient care

### Briefing

You do not need any briefing. The important thing in advance of the local elections is to argue the case at a broad strategic political level.

Content?



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SOCIAL SECURITY : HOUSING BENEFIT AND INCOME SUPPORT

John Moore, Secretary of State for Social Services, to-day announced adjustments to the rules governing assessment of housing benefit and income support. He made the announcement during a debate in the House of Commons.

Mr Moore said that the reformed structure of social security was simpler, fairer and better targetted. However, given the complexities of the old scheme it would be extraordinary, he said, if the new arrangements did not produce some problems. He was acting promptly and decisively to alleviate problems affecting particular individuals while leaving the underlying improved structure intact.

The adjustments, which will add approximately £100 million to the social security budget of £48 billion, are:

Housing Benefit - Capital Limit

People with capital up to £8000 will become eligible for housing benefit. This is an increase from £6000.

An estimated 100,000 more people will then be entitled to support with rates and rents. The total cost is approximately £30 million.

The extension will come into force as soon as possible (see also "Transitional Scheme").

MORE

### Transitional Scheme

Transitional help will be offered to housing benefit claimants whose benefit has been sharply reduced following changes such as the curtailment of discretionary schemes operated by local authorities. The help will be available to claimants with benefit reductions over £2.50 per week, mainly disabled people, pensioners, families with children and lone parents.

Transitional help will include people with capital up to £6000 limit who have been affected by the £16000 limit. This help will also be backdated to 1 April.

An estimated 300,000 people will be helped. The total cost will be £70 million. Help will be back-dated to 1 April.

The DSS will set up a special unit to administer the scheme.

### Income Support - Disposal of Property

Claimants will have six months, or longer in exceptional circumstances, to realise the value of property in which they are no longer living before it is taken as a capital asset for benefit purposes.

### Publicity

A publicity campaign will be mounted to inform people who may gain by the changes and how they can apply.

ENDS

# CHECK AGAINST DELIVERY

## Introduction to Announcements

Since the introduction of the new housing benefit scheme, hon Members have raised a series of concerns about how some aspects of the scheme have worked in practice. I wish to respond to those concerns now in a number of ways which I believe recognise the most serious difficulties experienced at the time of the changeover.

### Capital Limit

The issue which has been most often mentioned in public discussion of the new housing benefit scheme is the capital rule. Most people accept the need to take capital into account and to have some limit. But the problem is a difficult one even given that general agreement.

None of us wishes to discourage people from saving. Yet it is clearly wrong that the taxpayer should be expected to pay the rents and rates of people who have some capital and could be expected to draw on it. The question is all about what level that should be before they turn to their fellow citizens.

I recognise in particular that the £6000 limit has been the cause of concern. I am responding to those concerns today by increasing this limit to £8000. This is a substantial increase. It will bring considerable extra help for a further 100,000 people. This will be effected by a change in the regulations on which we will quickly consult the local authorities so that it can come into effect as soon as possible. It will cost some £30 million.

### Disposal of Property

There is a second question concerning capital where I believe a change is merited. Under the new regulations a person entering a care home is excluded from income support from the moment they become resident if their former home is worth more than the capital limit.

The thinking behind the change is sound. The old system was wide open to abuse by those, perhaps the families of claimants, who made little effort to sell the home while the taxpayer paid large sums to cover the care home fees. In one instance the property remained unsold for 10 years.

But the new regulation is too inflexible, and we must have regard for the genuine difficulties which some elderly people have faced. I cannot return to the previous position of laying the taxpayer open to exploitation. But I do propose to relax the regulation so as to allow people six months in which to dispose of their property. In exceptional circumstances of genuine difficulty, that time could be extended. Such judgements will be for adjudicators subject to the usual appeals procedures. The regulations will be introduced soon, but local offices can make payments as though this relaxation had been in force since April 11th.

The House will know that we have already acted so as to ensure that where, for example, a wife has to leave the marital home because the marriage has broken down, she will not be excluded from benefit.

### Transitional Scheme

These measures are important but not in themselves sufficient to deal with the difficulties of which we are aware.

There is a group of people on quite low incomes and without significant capital who have lost largish sums in housing benefit because of the interaction of various parts of the new scheme.

One of the important factors has been the ending of most local authority discretion to run different schemes of housing benefit. That decision was right. It cannot be fair that in different parts of the country different rates of benefit should be paid and different rules applied. That had to end as part of the reforms, although of course we have left it to local authorities to maintain the most widely-used discretion in respect of war pensioners and war widows.

Other losses have occurred, for example, through the ending of the old housing benefit supplement. We think it right to ease the transition in such cases.



We do not think it right to compensate for those increases in rents introduced to coincide with the new housing benefit scheme nor in rates. That would cut across our firm purpose to increase local authority accountability.

But we do intend to offer transitional help to those significantly affected by the changes to the scheme, including the ending of local authority discretion.

I propose to make good those housing benefit losses in excess of £2.50 per week arising from the change over to the new scheme which have affected pensioners, disabled people, families with children and lone parents. We estimate that perhaps 300,000 people will benefit from this. We will be spending an extra £70 million in this way.

Parliamentary approval for the payments under this new scheme will be sought in a Supplementary Estimate. Pending that approval, urgent expenditure up to £25 million will be met by repayable advances from the Contingencies Fund.

The payments will be made by my Department through a new central unit, in order to provide the quickest and most efficient response to cases. Clearly it will be some weeks before such a unit can be operational but I can give the House an assurance that the transitional arrangements will deal with the relevant losses to the vulnerable groups which have occurred since 1 April. This includes people with capital of less than £8000 who have been affected by the £6000 limit which has been in operation since 1 April. In other words any payments will be backdated to 1 April.

This proposal, I believe, meets the concern which has been emerging at constituency surgeries. It is that despite the substantial improvement in the structure of housing benefit, the change for people who are used to a particular level of help is too abrupt. And that we must act to stop losses which for some represent too high a proportion of their total income. I am confident that we have found the means to tackle that concern effectively.

## PERORATION

Mr Speaker, the social security reforms which came into effect a few weeks ago have created a fairer, a simpler and a better directed system than anything seen before in this country. Overall the vast majority of claimants will be better off or will get the same as before.

I have announced today an increase in the capital limit, a relaxation of the rules governing disposal of property and - very importantly - a scheme of transitional help to those who have faced large losses.

Mr Speaker, the package of measures I have just announced will add a further £100 million to the largest ever social security budget. Nothing could better show this Government's commitment to those who need to look to us for help. And because of our very successful management of the economy we have been able to respond - to the tune of £48 billion a year. I commend the amendment to the House.