

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 have 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

SECRET



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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?

NLC/8846p


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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

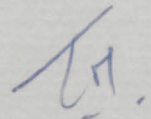


Allowance for new cases from October 1990 and the abolition of additional pension in Invalidity Benefit for new earnings. The second change, will produce major savings in the longer term but its impact in the short term is small because existing claimants will be entirely unaffected and the accrued rights 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.

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 benefit should be held at its present rate of 100 per cent of the basic 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 families should be increased by 21 per cent of the basic rate for each family in 1990-91. 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 21 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 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 ~~the~~ the ~~benefit~~ benefit ~~was~~ 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 ~~the~~ the ~~new~~ new ~~balanced~~ 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 and an increase in

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 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 in 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 the coming year. 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 3.8. 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 to compensate for inflation will be £1.5 billion. 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.

??

*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 fx 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.

HC1131t/5

(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 disablment, 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

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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.

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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 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 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 $\text{£}xp$ 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 $x000$.
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 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.

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OF 241400Z OCTOBER 89

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.

(IIII) 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?

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 $\pounds x$ for a single person and $\pounds x$ 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 $\pounds 10$ 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 $\pounds 37.55$ 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 $\pounds 37.55$ a week extra to $x000$ families with severely disabled babies. In consequence, of these extensions of Attendance Allowance, Invalid Care Allowance at $\pounds 26$ 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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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 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.

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 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.