

P.01523

PRIME MINISTERSocial Security Reviews - Outstanding Issues

(MISC 111(85)12) - att.

In its earlier discussions MISC 111 asked for a number of issues to be considered further. The Secretary of State for Social Services deals with them in MISC 111(85)12 and also makes a further proposal on maternity allowances. The issues are:

- (i) Family credit and child benefit
- (ii) Maximum rents
- (iii) Students
- (iv) Widows' benefits
- (v) Maternity allowance

A series of briefs on each of these issues is attached. The Secretary of State for Social Services has minuted you separately on, and there is a separate brief on, provision for retirement.



P L GREGSON

29 March 1985



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i. Family Credit and Child Benefit

(MISC 111(85)12, paragraphs 2 to 4 and Annex A) - *tt*

Previous reference MISC 111(85)5th Meeting Minute 1

At the 5th meeting the Group saw a number of attractions in replacing Family Income Supplement (FIS) with a family credit scheme, running alongside universal child benefit, paid through the wage packet, with eligibility assessed on the same lines as supplementary benefit (SB), and comprising a flat amount plus additions per child. Assuming a 60% take-up this would have a net cost of £67 million. In the light of concern about likely rates of take-up and therefore costs, the Secretary of State for Social Services was asked to illustrate family credit costs over 5 years assuming take-up was higher and benefit was uprated in line with SB; together with the savings achievable by uprating child benefit/^{CB}at a slower rate.

2. MISC 111(85)12 Annex A shows that family credit would cost £100 million at 70% take-up and £130 million at 80%. Mr Fowler argues however that 60% continues to be the most realistic assumption and that 80% is quite unrealistic. Furthermore even if take-up were, say, 70% Mr Fowler believes it would be worthwhile and could easily be funded by restraint on child benefit uprating (restricting the next up-rating to £7 would produce £100 million in savings).

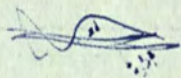
3. On free milk and school meals, Mr Fowler remains of the view that free school meals should be abolished for working families but still needs to discuss financial issues with the Education Secretary. For clarification, he says that his proposal regarding milk for under 2s was to maintain benefits in kind only for those on formula milk.

MAIN ISSUES

4(a) Whether Family Credit should be introduced even if take-up is higher than 60%. The principle and approach were generally welcomed when last discussed. The only issue is that of cost.



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Tables 1 and 2 of Annex A indicate that there would be negligible savings with Family Credit expenditure at 70% take-up and increasing CB to £7 in November and uprating for prices thereafter. The Chief Secretary, Treasury, is likely to press for more either by less generous Family Credit or more radical CB options. He may press for very large savings (up to £1 billion) but I suggest that, if he does, he should be asked to raise this under the separate item on the agenda (Outcome of the Review) so that discussion can concentrate simply on Family Credit at this stage.

(b) Whether free school meals should be abolished for working families, subject to the agreement of the Education Secretary. There would be losers, because not all those eligible take up the benefit at present; but abolition would be in line with the philosophy of giving those who need it both money and the choice how to use it.

HANDLING

5. The Secretary of State for Social Services to introduce. The Chief Secretary will have views, and the Education Secretary should be invited to comment on free school meals.

CONCLUSIONS

6. You will wish the Group to reach conclusions on
- i. whether to introduce family credit
 - ii. whether to seek compensating savings on child benefit and to what extent
 - iii. whether to withdraw free school meals for families in work subject to consultation between the Ministers concerned.



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ii. Maximum rents

(MISC 111(85)12, paragraphs 5 and 6 and Annex B) - att.
(Previous reference MISC 111(85)4th Meeting, Minute 1)

BACKGROUND

1. At the 4th Meeting of the Group it was agreed that housing benefit (HB) should provide assistance to individuals of only 80% on rates but of 100% on rents. There would be an indirect discipline on rents/ⁱⁿ that local authorities would only be refunded for 80% of their HB expenditure but in addition the Secretary of State for Social Services was asked to explore the possibility of setting maximum rent levels allowable for HB as a more direct discipline.

2. MISC 111(85)12 argues that variations in rent levels between regions and between housing sectors are too great to permit national limits to be set. Only local authorities could select limits sensitive to local conditions; any governing formulae would either err towards generosity or require many exceptions to avoid unacceptable hardships; private landlords might be tempted to increase rents to the local limit; and the scheme would be difficult to police. Mr Fowler concludes that such a system would be either very cumbersome or very unfair and proposes an alternative - to put pressure on local authorities as administrators of HB to control unreasonable rents, through:

(i) reimbursement of only 80% of HB expenditure
(already agreed)

(ii) streamlining and strengthening authorities' present powers to act on unreasonable rents or rent increases

(iii) closer scrutiny of subsidy claims

(iv) a reserve power to 'rent cap' any authority behaving unreasonably

Strengthening Powers

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MAIN ISSUES

3(a) Whether national or local limits are impracticable. A national limit does not seem to make sense and to deal with local variations would inevitably be cumbersome.

(b) Whether the alternative scheme proposed is acceptable. Success would appear to rest heavily on local authority initiative. Selective "Rent capping" would be controversial and cumbersome.

(c) Whether to reopen the possibility of less than 100% assistance to individuals on rents (eg. 95%). It was accepted in the earlier discussion that this approach would bear hard on individuals, especially in high rent areas. It was also thought that 100% assistance with rents would make it easier to secure agreement to the important 80% assistance with rates.

HANDLING

4. The Secretary of State for Social Services to introduce. The Secretary of State for the Environment and the Chief Secretary will wish to comment.

CONCLUSIONS

5. You will wish the Group to reach conclusions on

(i) whether to limit the rents eligible for HB,
whether nationally or locally

(ii) whether to adopt the alternative proposals to exert pressure on rents, or some other proposal.



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iii. Students

(MISC 111(85)12, paragraph 7) - att.

(Previous reference: MISC 111(85) 6th Meeting Minute 1)

1. At the 6th Meeting of the Group it was agreed in principle that students should lose their entitlement to supplementary benefit (SB) and housing benefit (HB). The Secretary of State for Social Services was invited, in consultation with the Secretary of State for Education and Science, to report back with firm proposals both for interim action on benefits and for coordinated presentation of the Government's options for student support in the future.

2. In MISC 111(85)12 Mr Fowler says that for the next academic year, it would be possible to implement an interim solution saving £20 million and simplifying administration. He suggests that he should settle the details with the Secretary of State for Education and Science and the Chief Secretary with a view to announcing them soon after the Social Security Green Paper is published. As regards presentation for the longer term, Mr Fowler suggests that the Social Security Green Paper should simply make the case for the principle of withdrawing SB and HB from students; and that any further detailed argument would be for Sir Keith Joseph's Green Paper on student support.

MAIN ISSUES

3. The issues are
 - (a) whether to implement an interim solution for the next academic year. (Mr Fowler should be asked to expand on what it is.)

 - (b) Presentation of interim solution and of main proposals in the two Green Papers. What is important is that Mr Fowler and Sir Keith Joseph should work closely together and that what they say should be entirely consistent.

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HANDLING

4. The Secretary of State for Social Services to introduce
The Secretary of State for Education and Science and the Chief Secretary
will wish to comment.

CONCLUSIONS

5. You will wish the Group to reach conclusions on
- (i) whether to implement any interim solution for the next academic year and when to announce this
 - (ii) The presentation of the case for longer-term change.

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iv. Widows' benefits

(MISC 111(85)12, paragraph 8 and Annex C) - *att*
(Previous reference MISC 111(85) 6th Meeting, Minute 7)

At the 6th meeting of the Group it was agreed that in addition to changes in widows' pensions, the present widows' allowance payable on bereavement should be replaced by a lump sum payment of £1000. The Group asked that the possibility should also be investigated of offering widows a choice between the lump sum or an enhanced rate of weekly benefit for the first 26 weeks of widowhood.

2. MISC 111(85)12 says that it would be quite feasible to offer the option of spreading the lump sum over, say, 26 weeks. Mr Fowler argues however that it is an unnecessary complication as widows can always bank the lump sum and draw on it as they wish. (The Annex also points out that those on SB would lose by taking weekly payments.)

3. As to the size of the lump sum (with which the Group was originally content) Mr Fowler points out ^{that} if it is set at £1,000 there will be net additional expenditure of £15 million in year 1 and savings from year 3. The £15 million could be saved by further raising the age thresholds for childless widows to receive pensions; or by paying £750 lump sum in year 1 and raising them to £1,000 from year 2.

MAIN ISSUES

4. (a) Whether to offer a choice between single lump sum or say, spreading the same payment over 26 weeks. It is perfectly practicable to do and there are no strong arguments either way.

(b) Whether the lump sum should be reduced to £750 either permanently or for year 1 alone. Since £1,000 will produce savings from year 3, and £750 will be barely more than half the present widows' allowance, there seems a good case for holding to the attractive round



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figure of £1,000 and accepting the £15 million net cost.

HANDLING

5. The Secretary of State for Social Services will wish to introduce, and the Chief Secretary to comment.

CONCLUSIONS

6. It will be necessary to decide -
- i. Whether to offer a weekly-paid alternative to the lump sum
 - ii. Whether to set the lump sum at £750, £1,000 or £750 in year 1 and £1,000 thereafter.



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v. Maternity Allowance

(MISC (MISC 111(85)12 paragraph 9) - *att.*)

(Previous reference MISC 111(85)6th Meeting Minute 5)

1. The Group rejected a proposal to replace the existing maternity pay and maternity allowance schemes by a new scheme of 'statutory maternity pay'. Mr Fowler is not seeking to change this decision but does propose some modest changes to the maternity allowance scheme as it is to be retained:

(i) To change the contributions test to having worked for 6 months during the past 12 and having paid contributions on earnings above the lower earnings limit. This should reduce the 25% of the awards going to women who have worked at no time during their pregnancy.

(ii) In line with medical advice, allow the 13 weeks' benefit to be drawn any time from 6 weeks before to 6 weeks after the date of confinement.

Small overall savings are expected.

MAIN ISSUE

2. Are these small changes acceptable?

HANDLING

4. The Secretary of State for Social Services to introduce. The Chief Secretary and possibly the Secretary of State for Employment may wish to comment.

CONCLUSIONS

5. You will wish the Group to reach conclusions on:
(i) the changes proposed in the eligibility test for maternity allowance.



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ii. flexible payment of the allowance in the period between 6 weeks before and 6 weeks after confinement.

CONQUETOT

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