

8 May 1985

PRIME MINISTER

PENSIONERS' HEATING ADDITIONS

We spend £500 million a year on Supplementary Benefit additional payments. £400 million of this goes on heating additions, of which half goes to pensioners.

The heating addition is paid to all SB pensioner householders (over 90% of pensioners on SB) automatically, all through the year, at a fixed rate. Heating additions are not like SB payments for water rates which meet actual bills. Over-65s get a heating addition of £2.10 per week, and over-85s get £5.20 per week. Married pensioners get the same rate as the single pensioner.

In practice, payments are lower as the £1 "available scale margin" (ASM) is deducted from additional payments to pensioners on the long-term SB rate.

Norman Fowler would get rid of automatic heating additions and the ASM. Instead, he sets a new inclusive scale rate for pensioners. This is higher than the current basic SB rate, but on average pensioners will get less than at present, as the figures presented to MISC 111 show:



	<u>Current</u>	<u>Av. entitle-</u> <u>ment under</u>		<u>Av.</u>
	<u>Scale Rate</u>	<u>Present Scheme</u>	<u>Proposal</u>	<u>Loss</u>
<u>Single claimant</u>	£	£	£	£
Pensioner 60-79	35.70	38.15	36.40	1.75
Pensioner 80+	35.70	40.40	39.05	1.35
<u>Married couple</u>				
Pensioner 60-79	57.10	59.55	58.15	1.40
Pensioner 80+	57.10	61.80	60.80	1.00

These figures may look grim, but they will not be as bad in practice as the changes will only be implemented at an uprating, so cash losers can be avoided.

There are two distinct political issues:

- pensioners losing from the benefit reforms:
- presentation of the disappearance of heating additions.

It is a brute fact that pensioners lose out from the benefit changes. As the elderly get over half of all benefit expenditure, it would be difficult to attack the DHSS budget without pensioner losers. But:

- Pensioners do well at present. There is an average 25% premium over other groups for pensioners on SB. Remarkably, over one-third of pensioners getting SB also save regularly.



- We keep to your pledges to maintain the value of the basic retirement pension and supplementary pension.
- The Green Paper will avoid giving any figures. It will be open to you to spend more money on transitional help for pensioners when the changes are implemented, if you wish.

The second problem is the disappearance of the heating addition. One solution would be notionally to identify it as a component of the new pensioner scale rate, without actually changing the proposed new total for pensioners. We would need to avoid fixing a new basic rate (less the notional heating addition) lower than the old basic rate, thus breaking your pledge.

There is also the risk that we would next find ourselves having to reinstate heating additions for other groups such as the disabled. Soon we would be back with our 16,000 paragraphs of regulations. But if you are worried about the presentation, this compromise might be a way forward.

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