

C(66) 65

COPY NO. 6727th April, 1966CABINETMINISTRY OF SOCIAL SECURITY BILLMemorandum by the Minister of Pensions  
and National Insurance

I am now ready to introduce a Bill (the Ministry of Social Security Bill) giving effect to my proposals for remodelling national assistance which were summarised in C. (65) 176 and approved by the Cabinet (C. C. (65) 70th Conclusions, Minute 2). If, as the Cabinet agreed, these proposals - affecting more than two million people - are to be brought into operation in the autumn of this year, it is essential that the Bill receives Royal Assent before the summer recess. I understand that this can be guaranteed if the Bill is published no later than 2nd May, for Second Reading on 10th May, although the Chancellor of the Exchequer would prefer it not to be introduced before the middle of May. I should not object to this provided Royal Assent could still be guaranteed before the summer recess. No such guarantee is at present available with a later date of introduction. I must therefore seek urgent decisions on two aspects of my proposals which the Chancellor questions. I comment on these below.

The long-term addition

2. The first is my proposal for the long-term addition (to the ordinary scale rates) for the old and for others (apart from the unemployed) who have been on national assistance or non-contributory benefit for two years, to take the place of smaller discretionary additions. This is a major feature of the scheme. My original proposal, as approved, was to set this addition at a level of 7s. 6d. but in existing cases to ensure that no more than 4s. 6d. of this was set off against current discretionary additions, so that all gained at least 3s. from it. It has since been possible to examine the incidence of discretionary additions in more detail, and in the light of this I have modified my original proposals in a way which I am sure makes them even more attractive at no more cost and at a slight initial saving. Instead of setting the addition at 7s. 6d. with a 3s. concession for existing cases, I propose that the long-term addition should be 9s. with no concession. This will be fairer and it will enable us to dispense at the outset with discretionary additions for the great majority of our old people receiving assistance. Thus we can go much further in implementing our intention to make discretionary additions, and the enquiries that necessarily go with them, really exceptional.

The basic rates

3. I propose to limit the increase in the basic rates to the amount necessary to meet the increase in the cost of living since the present rates were introduced in March, 1965. This will mean 5s. a week more for a single householder, and 7s. 6d. a week for a married couple.

The guaranteed income level

4. Taking together the basic scale rate as increased by 5s. for a single householder from 76s. to 81s. a week with a long-term addition of 9s., we shall achieve an income level for our old people and other long-term cases on the new benefit of £4. 10s. a week for the single householder, rent, of course, being allowed in addition. The attraction of this speaks for itself. Since the new benefit will inevitably be regarded as a substitute for income guarantee, and since a major object of the new scheme is to attract needy people who have not so far applied, the importance of launching it with a single rate which looks both round and as generous as we can make it needs no emphasis.

5. The Chancellor would, I understand, prefer the long-term addition to stay at 7s. 6d. with no concession to existing cases. The rate would then be £4. 8s. 6d. This would save £6 million in a full year but, as my colleagues will be aware, the total cost of my proposals, £65 million in a full year, can in fact be accommodated within my approved programme of expenditure under the National Plan on the basis that there should be some limitation of expenditure on the next general uprating. It has already been decided that I should limit the uprating due in mid-1967 by about 1s. for this purpose. Some such reduction would, of course, still be necessary even with the saving of £6 million.

The disregards

6. I understand that the Chancellor is concerned because in some cases the combination of the scale rates, rent, the long-term addition, and disregards will bring the claimants' income above the old age tax exemption limits and he would like the disregards to be reduced. I must remind my colleagues that the Social Services Committee spent two full meetings on the disregards when they were considering Income Guarantee, during which the original proposals were substantially modified. In the annex to my memorandum to the Social Services Committee S. S. (65) 20 I was careful to put before the Committee a full exposition of the income tax problem in this connection. The principal modifications made by the Committee were to add to the disregard of disability pensions and earnings originally proposed a disregard of £1 a week of other income, including superannuation, but not the main national insurance pensions etc., and maintenance payments; and to be more generous about capital for people without disregarded income. These two go together; the extra capital of £500 allowed to the man without a disregard would, at 65, buy an annuity of 20s. a week, which would be disregarded. Thus there is equitable treatment as between saving for old age by investment, and by contributing to a superannuation fund.

7. When I was commissioned by the Cabinet to remodel national assistance incorporating as many features of Income Guarantee as possible, I naturally included these disregards in my proposals to the Social Services Committee and they were there accepted. The proposal to rationalise and modernise the disregards was included in my memorandum on non-contributory benefits (C. (65) 176) and it will be recalled that these proposals were welcomed. Anything less than these disregards would in my judgment be politically unacceptable, both to our own back-benchers and in the country at large. We found it impossible, in framing Income Guarantee, against the background of existing national assistance disregards to take a severe line; and by the same token, we could not take a severe line in remodelling national assistance. The proposed disregards do little more than restore the value of the existing disregards established by the previous administration as long ago as 1959, and for some people indeed are less favourable.

8. As for taxation, a number of assistance recipients are already above the tax exemption limit and the Inland Revenue deal with this administratively by ignoring such payments. Admittedly my proposals tend to aggravate this problem but it cannot possibly be solved by manipulating the disregards. A solution could only be found by introducing also some completely new provision limiting payments for rent so as to keep within the tax exemption limit and, even if this could be worked out in time, it would destroy what has always been a fundamental feature of means-tested benefit, namely that reasonable rent is met in full.

#### Summary

9. I seek the Cabinet's agreement that -
- (i) the Ministry of Social Security Bill should be introduced in time to ensure Royal Assent before the summer recess;
  - (ii) the long-term addition should be 9s. a week, making a guaranteed income level, after payment of rent, of £4. 10s. a week for old people living alone;
  - (iii) the new benefits should be exempt from income tax;
  - (iv) the proposals for disregards of income and capital at present embodied in the Bill should remain unchanged.

M. H.

Ministry of Pensions and National Insurance, W. C. 2.

26th April, 1966

