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31st MARCH, 1952.

CABINET

NATIONAL ASSISTANCE.

Memorandum by the Minister
of National Insurance.

The Chancellor, in his Budget Speech, said that he had no doubt the National Assistance Board would take note of his proposals on food subsidies and make appropriate recommendations for increased national assistance scales in due course. The Board have now submitted provisional proposals to me. If they are approved they will be embodied in formal regulations which will require an Affirmative Resolution of each House of Parliament. Once formal regulations have been put forward by the Board their proposals cannot be altered without stating publicly the Government's reasons for differing from the Board. For this reason it has been the practice for the Board to put forward provisional proposals as they are now doing.

2. As national assistance is the final protection against want, the Board's scales are necessarily related closely to the cost of living; but as the general index contains a number of items such as rent (which is provided by the Board separately) and drink and tobacco (which can hardly enter much into the expenditure of persons living on assistance) it has for some time been the Board's practice to use a modified cost of living index figure based mainly on food, clothing, fuel and light. The result has been that movements of the Board's scales have tended to exceed what would be required by a strict comparison with movements in the ordinary cost of living index figure.

3. The scales were last altered in September 1951 when the main rates were fixed at 50s. for a married couple and 30s. for a single householder, to which a rent allowance (normally the rent paid) would be added. Using the modified index mentioned above, and taking account of the increases which the Chancellor has stated will follow the reduction of food subsidies, the Board consider that the rate for a married couple should be increased by 9s. and the rate for a single person by 5s. There will be appropriate increases in other rates. If these increases are made, a single householder paying a rent of 12s. 6d. would get 47s. 6d., a married couple with a rent of 15s. would get 74s.

4. The need for Parliamentary approval, and the work involved in altering some million and a half current allowances, make it necessary to plan changes in assistance rates well in advance of the date when they can be brought into operation. To prevent the new rates being out of date when they start to operate and to avoid frequent changes in rates, it is essential in fixing rates to anticipate further changes in the cost of living as far as may be.

5. If the proposals are accepted formal regulations will be submitted by the Board forthwith and it is proposed to lay them before Parliament immediately before the recess and to put forward the necessary Affirmative Resolutions as soon as possible after the recess. If the regulations are approved by the

of April the new rates would be brought into operation as from 16th June.

6. Assistance is now being paid in about 1,500,000 cases, representing about 2¼ million persons. In over two-thirds of the cases national insurance pensions or benefits are being supplemented. The present cost of assistance is about £77½ millions and these proposals will raise it to about £90 millions in a full year. The gross extra cost of the proposals would be about £25 millions but half of that amount will be saved in cases where benefits are being supplemented by the increases in national insurance benefits and pensions which I am proposing in another paper.

7. I ask my colleagues' authority to inform the Board that their proposals are approved and to submit regulations to Parliament accordingly.

O.P.

Ministry of National Insurance, S.W.1.

31st MARCH, 1952.