

PART 2

Confidential File

Rayner study on arrangements for paying Social Security Benefits.

SOCIAL SERVICES

Part 1: November 1979

Part 2:

October 1980

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
<del>20.10.80</del>							
<del>28.10.80</del>							
<del>31.10.80</del>							
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<del>27/2/81</del>							
<del>7.3.81</del>							
<del>5.12.80</del>							
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12-5-81							

PREM 19/596

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For papers on the joint  
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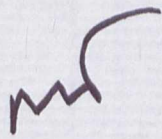
MANPOWER : October 1980

For joint DE/DHSS Rayner Report Nov 80  
on "THE PAYMENT OF BENEFITS TO THE  
UNEMPLOYED" see Note attached to  
MANPOWER OCT 1980.



PRIME MINISTER

cc: Mr. Ingham  
Mr. Pattison

Wth  
14/5  
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2  


ARRANGEMENTS FOR PAYING SOCIAL SECURITY BENEFITS

As had been expected, this Statement attracted two types of criticism. First that the change from one-weekly to four-weekly payment of child benefit would cause hardship. Second, that the loss of business from this change and the decision to give people the option of having their benefits paid directly into banks would threaten the existence of sub-post offices. The Opposition, who were led by Norman Buchan, appeared to ignore the £32 million savings that would be made. They were effectively described as "reactionaries" by Mr. Jenkin.

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Norman Buchan, Andrew Bennett and David Ennals all stressed the difficulties a move to four-weekly payment of child benefit would cause for the poorer parent. Mr. Buchan claimed that illiterate mothers would not understand the choice they were being given. Andrew Bennett said he hoped the change to new arrangements would not cause delays in payments. Mr. Jenkin successfully dealt with these points. He stressed that existing claimants would have a choice between weekly and four-weekly payment. Even after January 1982, when four-weekly payment would become the norm for new claimants, parents in hardship categories would still be able to opt for weekly payment. The forms that mothers would have to fill in would be as simple as possible. There were standing arrangements to allow urgent payments to be made before paper work was completed.

Clement Freud and Charles Morris led the criticism on the effects of these changes on sub-post offices, though a number of Conservative MPs such as Sir Timothy Kitson, Peter Bottomley and Keith Best, <sup>also</sup> expressed some concern. The thrust of the criticism was that there could be no confidence in Mr. Jenkin's assurance that new business, in the form of energy stamps, rail cards, and bus passes, would outweigh the loss of business to sub-post offices.

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/ The £2 million

The £2 million fund for sub-post offices in difficulty was described as insufficient. Mr. Jenkin answered by emphasising the depth of his consultation with the Federation of Sub-Postmasters. He said that he would be addressing the Federation's Annual Conference tomorrow and was confident of a reasonable reception. The situation would be kept under review if the expected new business for sub-post offices did not materialise. The safety fund was clearly not supposed to support every sub-post office.

The criticisms were predictable and the critics seemed grudgingly satisfied by Mr. Jenkin's replies. He managed successfully to make them appear short-sightedly opposed to change, and unconcerned with the savings made by the changes he was announcing. Overall, the mood of the House was a somewhat grudging acceptance that Mr. Jenkin's package was the best compromise solution to a delicate problem.

WKR.

12 May 1981



WM 12/5

DEPARTMENT OF HEALTH AND SOCIAL SECURITY  
ALEXANDER FLEMING HOUSE  
ELEPHANT AND CASTLE  
LONDON S.E.1  
TELEPHONE: 01-407 5522

12 May 1981

MINISTERIAL STATEMENT ON ARRANGEMENTS FOR PAYING SOCIAL SECURITY BENEFITS

I enclose a copy of the Statement the Secretary of State for Social Services proposes to make this afternoon.

MISS E C SANDER  
Parliamentary Clerk

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Copy to:

- |   |   |
|---|---|
| 1. Mr Peter Moore (6 copies)<br>Government Whips Office   | 5. The Editor (2 copies)<br>Official Report<br>House of Commons<br>London SW1 |
| 2. Mr P Lawrance<br>Private Secretary<br>Office of the Duchy of Lancaster<br>Cabinet Office<br>70 Whitehall | 6. Mr M G Pownall (3 copies)<br>Government Whip's Office<br>House of Lords    |
| 3. Mr Speaker<br>House of Commons   | 7. The Editor<br>Official Report<br>House of Lords                            |
| <del>4.</del> Miss Teresa Rolleston<br>Private Secretary<br>10 Downing Street<br>London SW1                 |   |

STATEMENT BY SECRETARY OF STATE FOR SOCIAL SERVICES ON ARRANGEMENTS  
FOR PAYING SOCIAL SECURITY BENEFITS  
TUESDAY 12 MAY 1981

With permission Mr Speaker, I should like to make a statement on the arrangements for paying social security benefits.

The House will recall that last December I published a consultative document (Cmd 8106) setting out the Government's proposals for improving the efficiency of paying social security benefits. I can now report the outcome of our consultation and announce our decisions.

The Government's proposals in the consultative document fell into three categories: first, that most beneficiaries should be able to have their benefits paid direct into their bank accounts if they wished; second, that child benefit should be paid 4-weekly to most mothers except for certain vulnerable groups who could retain weekly payment if they wished; and third, that certain improvements should be made in the efficiency of DHSS internal administrative procedures for paying benefits. These changes would have produced savings in administrative costs rising to £38 million a year (at today's prices) by 1987-88.

There was general acceptance of the changes in DHSS administrative procedures and these will go ahead. I will publish a list in the OFFICIAL REPORT. There was also a wide welcome for giving people the option to have their benefits paid direct into bank or other accounts. I stress that this is an option: pensioners for instance will continue to draw their pensions weekly from the Post Office unless they decide otherwise. We will begin to offer the choice of bank payments from mid-1982. These changes will save eventually about £25 million a year at today's prices.

Most of the 600 responses I have received from individuals, organisations and local authorities objected to the proposal to pay child benefit every four weeks to most mothers. Criticisms varied but the general theme running through many letters was that mothers should be able to make a voluntary choice between weekly or four-weekly payment.

There has also been anxiety about the impact of the changes on the Post Office and in particular on the Sub-Post Office Network.

In putting forward its proposals, the Government has had two objectives in mind: first; to reduce the cost of administration, and second to encourage the movement away from weekly cash transactions to more modern methods of money transmission. The question is how to reconcile these highly desirable aims with the anxieties which have been put to us.

We are in no doubt that in the longer term it is right to encourage the great majority of mothers to accept 4-weekly payment. However, we have decided that it would not be right to expect existing claimants to move to 4-weekly payments subject only to the exceptions which were set out in the White Paper. Accordingly, we will give all mothers currently in receipt of child benefit a free choice to decide whether they wish to continue to receive payment weekly or to switch to 4-weekly payment. Towards the end of 1981 mothers receiving child benefit will be sent a simple form which they will need to return to my Department if they wish to continue with weekly payment. From January 1982, for mothers who claim child benefit for the first time, and who already wait about six weeks for the first payment, 4-weekly payment will be the norm. Options for weekly payment of child benefit will however be available to three categories of new claimant - those receiving supplementary benefit, those receiving family income supplement, and lone parents.

The Government considers that this approach strikes a fair balance between the needs of beneficiaries and our duty to keep administrative costs down. We estimate that about half the existing beneficiaries will opt for weekly payment. On this basis the saving under this head estimated (in Cmnd 8106) at £13 million a year by 1987-88 will be reduced to about £7 million a year.

The Government remains firmly committed to maintain an adequate Sub-Post Office network. The modifications I have mentioned will mean that over the next five years DHSS business over Post Office



Counters will drop by the equivalent of about 5 per cent of total counter business. But this will be more than compensated for by growth of counter business from other customers. The Government has re-examined with the Post Office the forecasts of new business in Cmnd 8106, on the assumption that the British Telecommunications Bill is enacted, so that the Post Office can provide counter services for a wider range of public sector customers. The Government is confident from this re-examination that over the period to the end of 1985-86 counter business from new and existing customers can be expected to grow by up to 10 per cent. This is twice as much as the likely reduction in DHSS business. To provide a further safeguard the Government also propose to make available from the administrative savings up to £2 million over the next five years to help smaller sub-post offices which are adversely affected if the new business does not grow at the same rate as DHSS business is reduced.

Mr Speaker, these changes will together reduce administrative costs by about £32 million a year eventually. They will provide more modern methods of paying benefits without either harming the sub-post office network or causing hardship to beneficiaries. I hope Hon and Rt Hon Members will accept that we have done our best to meet the concerns expressed in the House and elsewhere while moving ahead to achieve more efficient ways of paying social security benefits.

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[STATEMENT ATTACHED]

FOR THE OFFICIAL REPORT

Following is the information:-

Changes in DHSS administrative procedure which will result in an annual saving of some £13 million by 1987-8.

Computer-produced order-books are being standardised at 20 weeks. (They were 12, 13, 18 weeks.)

Payment of invalidity benefit and sickness benefit is being combined with payment of supplementary benefit.

The level at which evidence of identity is required when cashing a giro-cheque is being increased from £30 to £50.

The foil limits on order-books have been raised to realistic levels to avoid issuing 2 books. They will be reviewed each year.

The period for implementing nationally the DHSS local office computer system is being reduced from 4 years to 2 years subject to reconsideration following the pilot study.

Retirement and Widows pensions of less than £1 a week will be paid annually in arrears.



Secretary of State for Industry

*Mr Pattison* *m 11/5*  
 DEPARTMENT OF INDUSTRY  
 ASHDOWN HOUSE  
 123 VICTORIA STREET  
 LONDON SW1E 6RB  
 TELEPHONE DIRECT LINE 01-212 3301  
 SWITCHBOARD 01-212 7676

11 May 1981

Mike Tully Esq  
 Private Secretary to the  
 Secretary of State for Health and  
 Social Security  
 Alexander Fleming House  
 Elephant and Castle  
 London SE1 6BY

*Dear Mike*

STATEMENT ON ARRANGEMENTS FOR THE PAYING OF SOCIAL SECURITY  
 BENEFITS

Thank you for sending me a copy of your letter of 8 May to Willie Rickett covering a draft statement which your Secretary of State proposes to make in the House tomorrow.

We have two comments. First, we suggest the last sentence on page 2 should read "The Government remains firmly committed to its pledge that an adequate sub post office network will be preserved". This is in line with the wording in para 25 Cmdn 8106 and avoids the suggestion that each and every sub office will be kept in being.

Secondly, in the penultimate paragraph in line 10, we suggest the words relating to the growth of new counter business should be "up to 10%", rather than "about 10%" which would be more acceptable to the Post Office and more in line with the findings of the Official Group which looked at the prospects for growth in counter business.

I am copying this letter to recipients of yours.

*Yours ever,*

RICHARD RILEY  
 Private Secretary

*Richard*

refaxed to Chequers

11/5-8



**10 DOWNING STREET**

PRIME MINISTER

Here is Patrick Jenkin's statement for tomorrow on the payment of social security benefits.

M A PATTISON

11. May 1981

CONFIDENTIAL**DEPARTMENT OF HEALTH & SOCIAL SECURITY**

Alexander Fleming House, Elephant &amp; Castle, London SE1 6BY

Telephone 01-407 5522

*From the Secretary of State for Social Services*

William Rickett Esq  
 Private Secretary  
 10 Downing Street  
 London  
 SW1

8 May 1981

① cc Press  
 ② Mr Patten <sup>WN</sup> 11/5  
 NBPM I have  
 told DSS we are content.

*Dear Willie*

## STATEMENT ON ARRANGEMENTS FOR THE PAYMENT OF SOCIAL SECURITY BENEFITS

I understand that H Committee have approved the proposals in H(81)32 on arrangements for paying social security benefits, and agreed that a Parliamentary statement should be made as soon as possible.

I attach a draft of the statement which my Secretary of State proposes to make on 12 May, and would be grateful for any comments by Monday 11 May. Copies of this letter and the draft statement go to the Private Secretaries to members of H Committee, the Secretary of State for Industry and Sir Robert Armstrong, and to Michael Pownall, who will no doubt advise on the desirability of repeating the statement in the House of Lords.

*Yours ever*  
*Mike*

MIKE TULLY

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CONFIDENTIAL

DRAFT STATEMENT BY SECRETARY OF STATE FOR SOCIAL SERVICES ON  
ARRANGEMENTS FOR PAYING SOCIAL SECURITY BENEFITS

With permission Mr Speaker, I should like to make a statement on the arrangements for paying social security benefits.

The House will recall that last December I published a consultative document (Cmnd 8106) setting out the Government's proposals for improving the efficiency of paying social security benefits. I can now report the outcome of our consultation and announce our decisions.

The Government's proposals in the consultative document fell into three categories: first, that most beneficiaries should be able to have their benefits paid direct into their bank accounts if they wished; second, that child benefit should be paid 4-weekly to most mothers except for certain vulnerable groups who could retain weekly payment if they wished; and third, that certain improvements should be made in the efficiency of DHSS internal administrative procedures for paying benefits. These changes would have produced savings in administrative costs rising to £38 million a year (at today's prices) by 1987-88.

There was general acceptance of the changes in DHSS administrative procedures and these will go ahead. I will publish a list in Hansard. There was also a wide welcome for giving people the option to have their benefits paid direct into bank or other accounts. I stress that this is an option: pensioners for instance will continue to draw their pensions weekly from the Post Office unless they decide otherwise. We will begin to offer the choice of bank payments from mid-1982. These changes will save eventually about £25 million a year at today's prices.

Most of the 600 responses I have received from individuals, organisations and local authorities objected to the proposal to pay child benefit every four weeks to most mothers. Criticisms varied but the general theme running through most letters was that mothers should be able to make a voluntary choice between weekly or four-weekly payment.

There has also been anxiety about the impact of the changes on the Post Office and in particular on the Sub-Post Office Network.

In putting forward its proposals, the Government has had two objectives in mind: first, to reduce the cost of administration, and second to encourage the movement away from weekly cash transactions to more modern methods of money transmissions. The question is how to reconcile these highly desirable aims with the anxieties which have been put to us.

We are in no doubt that in the longer term it is right to encourage the great majority of mothers to accept 4-weekly payment. However, we have decided that it would not be right to expect existing claimants to move to 4-weekly payment subject only to the exceptions which were set out in the White Paper. Accordingly, we will give all mothers in receipt of child benefit a free choice to decide whether they wish to continue to receive payment weekly or to switch to 4-weekly payment. Towards the end of 1981 mothers receiving child benefit will be sent a simple form which they will need to return to my Department if they wish to continue with weekly payment. For mothers who will in future claim child benefit for the first time, and who already wait at least four or five weeks for the first payment, 4-weekly payment will be the norm. Options for weekly payment however will be available to three categories of family - those receiving supplementary benefit, those in receipt of family supplement, and lone parents.

The Government considers that this approach strikes a fair balance between the needs of beneficiaries and the responsibility we have to taxpayers to minimise administrative costs. We estimate that about half the existing beneficiaries will opt for weekly payment. On this basis the saving estimated (in Cmnd 8106) at £13 million a year by 1987-88 will be reduced to about £7 million a year.

This much slower rate of change will of course greatly ease the effect on the Sub-Post Office network. The Government remains firmly committed to its pledge that the Sub-Post Office network will be safeguarded.

The modifications I have mentioned will mean that over the next five years DHSS business over Post Office counters will drop by the equivalent of about 5 per cent of total counter business. But this will be more than compensated for by growth of counter business from other customers. The Government has re-examined with the Post Office the forecasts of new business in Cmnd 8106 on the assumption that the British Telecommunications Bill is enacted so that the Post Office can provide counter services for a wider range of public sector customers. The Government is confident from this re-examination that over the five year period to the end of 1985-86 counter business from new and existing customers can be expected to grow by about 10 per cent. This is twice the amount of reduced DHSS business. To provide a further safeguard I also propose to make available from the administrative savings up to £2 million over the next five years to help any of the smaller sub-post offices which might be adversely affected if the new business does not grow at the same rate as DHSS business is reduced.

These changes will reduce administrative costs by about £32 million a year eventually and provide more modern methods of paying benefits without damaging the sub-post office network or causing hardship to beneficiaries. I hope the House will accept that we have done our best to meet the concerns expressed in the House and elsewhere while moving ahead to achieve more efficient ways of paying social security benefits.

I commend the proposals to the House.





*Social Security*  
cc Mr Ingham (incl attachment)

**DEPARTMENT OF HEALTH & SOCIAL SECURITY**  
Alexander Fleming House, Elephant & Castle, London SE1 6BY  
Telephone 01-407 5522  
*From the Secretary of State for Social Services*

Mike Pattison Esq  
Private Secretary  
10 Downing Street  
London SW1

5 December 1980

*Dear Mike*

ARRANGEMENTS FOR PAYING SOCIAL SECURITY BENEFITS

I enclose a final version of the Command Paper that is due to be published on 9 December. This date has been agreed with the Paymaster General who has suggested that it would be best to announce publication by means of a statement in the House. I am circulating separately a draft statement.

His Committee have agreed to publication of the Command Paper subject to some redrafting that my Secretary of State and the Secretary of State for Industry have undertaken and to consultation with Post Office interests. These consultations have now been carried out and have not suggested any significant amendment of the document.

When the Secretaries of State met representatives of the National Federation of Sub-Postmasters on 21 November they made it clear that they would have preferred the Government not to propose less frequent payment of child benefit. However the sub-postmasters expressed their views moderately and seem to have been reassured by our intention to have a period of public discussion before final decisions are taken.

I am copying this letter and the enclosure to the Private Secretaries of all Members of the Cabinet, Sir Robert Armstrong and Sir Derek Rayner.

*Yours*

*Mike.*

MIKE TULLY  
Private Secretary

## ARRANGEMENTS FOR PAYING SOCIAL SECURITY BENEFITS

### INTRODUCTION

1. This document is the Government's response to the First Report from the Social Services Committee (Session 1979-80) on the arrangements for paying social security benefits (other than unemployment benefit); and to the recommendations by a team of officials which reviewed the subject earlier. It also describes the arrangements for consultations on the Government's proposals. The Social Services Committee's report was published on 4 June 1980 and the review team's report is published as Annex II.

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### BACKGROUND

2. The Government is committed to examining the efficiency of the public sector and to reducing administrative costs. Sir Derek Rayner was appointed by the Prime Minister to advise the Government in this area. As part of this process each Minister in charge of a Department, in consultation with Sir Derek Rayner, selects projects for study by teams of officials. The recommendations go to the Minister for decision. The Department of Health and Social Security's first study of this kind was a review of the arrangements for paying social security benefits.

3. Most social security payments are made by weekly orders issued in order-books and cashed over post office counters. Some 1,000 million social security payments are made each year at a cost now well in excess of £300 million (at current prices): over a half of this amount is paid to the Post Office. There has been a growing demand for social security payments to be made directly into bank accounts - reflecting the trend to payment of monthly salaries and occupational pensions in this way. Over 90% of unemployed people are now paid fortnightly. The present arrangements for other benefits are long-established and the time is ripe for review.

4. The DHSS review was carried out in the second half of 1979 and the results presented to Ministers towards the end of that year. Before the Government had had time to consider the full implications of the review team's proposals the possibility of changes became public knowledge and led to concern about possible

financial and other difficulties for pensioners and about the possibility of wide-spread closure of sub-post offices. The Government has made it clear that any changes which led to significant closures of sub-post offices would be wholly inconsistent with its aim of sustaining local communities. The Prime Minister told the House of Commons on 28 February 1980 that if retirement pensioners wished they could continue to have their pensions paid weekly through a post office. This assurance was repeated by the Secretary of State for Social Services to the Social Services Committee on 12 March. The Secretary of State has said that changes will not be made until the review had been published; and that there will be wide consultations on the proposals.

#### FACTORS AFFECTING CHANGE

5. The main consideration in making any change in the arrangements for paying benefits must always be the interests of beneficiaries. The Government is particularly concerned to protect those with limited resources whose weekly benefit payment is their lifeline. Fortnightly payment of benefits to the unemployed has been shown to work satisfactorily for most people. However the Government believes that generally people receiving supplementary benefit should continue to have the right to be paid weekly and that vulnerable groups should have a right to weekly payment of child benefit if they wish (see paragraph 17).

6. Nevertheless, the steady growth of cashless systems of money transmission and of the payment of wages at less frequent intervals than weekly and by methods other than cash, brings advantages to society as a whole, in security, speed and efficiency. For employers the costs and risks involved in handing out weekly pay packets are reduced. For recipients, cashless systems reduce the time spent in travel and queuing, and reduce the risk of theft. The Government recognises that many prefer to have cash in hand but believes that it should encourage a switch to different payment methods where these lead to a more efficient use of resources and save public expenditure. The payment of social security benefits is one area where, subject to protecting those most vulnerable, it can and should act. It is confident that the benefits of cashless systems of payment will come to be more widely appreciated.

7. The Government wants a system of paying benefits which meets the wishes and needs of beneficiaries; takes account of the need to maintain an adequate sub-post office network; provides better value for the taxpayer; and is more in tune with society in the 1980s. It considers that the proposals set out in

paragraphs 8-22 strike a reasonable balance between these objectives. In formulating its proposals the Government has taken into account the views expressed by Members of Parliament, local authorities, various organisations including the National Federation of Sub-Postmasters and members of the public. With the full co-operation and participation of the Post Office, an examination has been made of the consequences for Post Office finances and the network of crown and sub-offices of possible changes in the payment of social security benefits. The conclusions reached by the Government following this examination are set out in paragraphs 25-28. The Government's determination to ensure the continuance of an adequate sub-post office network is fully reflected in its proposals. It is satisfied that its proposals will benefit the taxpayer and beneficiaries without damaging the sub-post office network.

#### THE GOVERNMENT'S PROPOSALS

##### Direct crediting of benefits to bank accounts

8. Both the Select Committee and the review team favoured strongly the payment of benefits direct into bank accounts by automated credit transfer (ACT) for those people who preferred this method of payment. Both reports point to the increased use of bank accounts and credit transfer facilities generally.
9. The Government, like its predecessor, is in favour of offering payment of benefits by ACT into bank accounts, including those with National Girobank, Trustee Savings Banks and building societies. Market research carried out by DHSS indicates that sufficient beneficiaries would choose payment by ACT to justify the introduction of this method. Present estimates suggest that about 3.5 million beneficiaries would choose payment by ACT if it was available to them: this figure would include about 2 million mothers receiving child benefit; and approaching 1.5 million retirement, war and widows pensioners and other beneficiaries. Although more staff are likely to be required to make payments by ACT (because adjusting payments following a change of circumstance require more staff than with payment by order book) the extra staffing costs will be more than offset by the reduction in Post Office encashment charges.
10. The Government proposes therefore to offer payment by ACT from the middle of 1982 onwards to most beneficiaries who want it but there would be no question of anybody being compelled to use this method. As direct crediting could be undertaken only where the benefit is paid by computer, for the time being,

the method will have to be restricted to retirement and widows pensions, child benefit and some disablement benefits. Special considerations apply to unemployment benefit because assumptions about its duration are particularly difficult to make and further consideration will need to be given to the longer-term scope for paying benefits to the unemployed by ACT.

11. The Social Services Committee recommended that as an inducement to payment by ACT benefits should be paid two weeks in advance and two weeks in arrears. It cited the Netherlands as an example of this type of arrangement but in fact that country pays only retirement benefit on that basis: family benefits are paid 13 weeks in arrears. Although the Committee's proposal might encourage more people to choose payment by ACT, in the first year it would cost about £50 million more than the Government's proposals. Avoidable expenditure on this scale could not be contemplated at the present. Most of those who choose payment by ACT will be pensioners now paid by crossed order, who already accept payment mainly in arrears, and mothers receiving child benefit, which in most cases is a contribution to the family budget suitable for payment in arrears, rather than a weekly lifeline. The Government proposes therefore that when payment by ACT is chosen, it should be made at four-weekly intervals in arrears.

#### Retirement Pensioners and Widows

12. The team of officials recommended that retirement pensions and widows pensions, now paid weekly, should be paid fortnightly except for people at present aged 80 or over and those on supplementary benefit who wished to be paid weekly. The Social Services Committee did not make a recommendation about the payment of these benefits.

13. The Government has no intention of withdrawing from retirement pensioners or widows the choice of receiving their pension weekly at a post office. However many pensioners are not wedded to this method of payment; and many would prefer to be paid through a bank and would be willing to receive their payments less often than weekly. This is particularly likely to be the case among many younger pensioners and those reaching retirement age during the next decade. Many of

these people have been used to monthly payment of their salary through a bank and their occupational pensions will be paid in the same way. Apart from the Irish Republic this country is unique among EEC countries in paying retirement pensions as frequently as once a week.

14. In the longer-term the Government hopes that more pensioners and widows will move away from weekly payment of their pensions but it would not want to compel anybody to do this. Instead it prefers over the next two years to develop 3 main payment choices for pensioners:

- weekly by order book
- 4-weekly by direct credit to a bank account
- quarterly by direct credit to a bank account.

It would still be open to those people choosing the first method to cash their order book foils less frequently than once a week - as they can do now. The second and third methods would replace as quickly as possible the present arrangements whereby a crossed order is sent to a pensioner every 4 or 13 weeks. This would save the pensioner having to go to a bank to pay in the order. However no pensioner would be compelled to use a particular payment method and existing pensioners would not have to alter their present method of payment unless they choose to do so.

15. It is a major administrative exercise to offer new payment arrangements to over 9 million retirement pensioners. The changeover will be smoother and the transitional administrative costs will be less if it is phased over a period. The Government proposes therefore that from mid-1982 onwards new pensioners and existing pensioners paid by crossed order would be offered the choice of payment direct into a bank account by ACT. This payment method would be offered to other existing pensioners from the end of 1982 onwards.

### Child Benefit

16. The review team recommended that child benefit should be paid 4-weekly except for those on supplementary benefit or family income supplement who wished to be paid weekly. The Select Committee on the other hand recommended that for the time being child benefit should continue to be available weekly unless the beneficiary asked for payments to be credited to a bank account. The Select Committee was of the opinion that the number of families needing weekly payment was greater than the review team suggested; and it drew attention to the increasing importance of child benefit when the general level of benefits was being subjected to more critical scrutiny.

17. The Government recognises that there are some families for whom weekly payment of child benefit is essential particularly those who use it for inescapable weekly housekeeping commitments. It agrees with the Select Committee that there may be families other than those receiving supplementary benefit or family income supplement who should be able to choose weekly payment of child benefit. It proposes therefore to extend the range of choice recommended by the review team. In addition to families receiving supplementary benefit and family income supplement, the Government considers that the choice of weekly payment of child benefit should also be retained by those entitled to the additional child benefit for one-parent families, by widowed mothers and by families with four or more children at the time any change in the frequency of payment takes place.

18. However the Government believes that for many other families child benefit is a much less vital source of regular income. Unlike a pension, child benefit is not the main source of income for a household; and for most recipients the period for which the benefit is paid need not be so closely related to the pattern of household budgeting. Child benefit is often used for intermittent purchases such as children's clothing and larger items of household equipment. The review team showed that less than half of families cash their child benefit weekly, but these mothers still have to be provided with order-books containing weekly foils for which Post Office encashment charges are higher than if a single payment was made for a higher amount.

19. No other country in Europe pays its family benefits as frequently as the United Kingdom, as the following table shows:

<u>Monthly payment</u>	<u>Quarterly payment</u>
Belgium	Denmark
France	Netherlands
Irish Republic	
Italy	
Luxembourg	
West Germany (except those people paid every 2 months)	

Moreover in the future many mothers are likely to choose payment of their child benefit direct into a bank account by ACT and this cannot be organised more frequently than every 4 weeks. There would be a considerable saving in administrative costs borne by the taxpayer if unnecessary weekly payments of child benefit could be eliminated.

20. The Government believes that for most families payment of child benefit every four weeks would be generally acceptable. Market research carried out by the review team supports this view. However before making such a change the Government considers that mothers in the more vulnerable groups of families mentioned in paragraph 17 should be given the choice of retaining weekly payment of their child benefit. The Government thinks that it would be appropriate for most mothers to switch to payment of child benefit four-weekly in arrears - either direct to a bank account by ACT or by order books with foils cashable every 4 weeks at a post office. This could be done within the next year or so. However before introducing this change the Government would be interested to hear the views of individuals and organisations concerned with the welfare of families with children.



### Other Benefits

21. In its Report the Select Committee said (paragraph 25) "DHSS may wish to explore further the possibility of moving towards periodical payments for some of the smaller volume benefits if, and only if, it can be established that this would be generally acceptable to claimants". The review team recommended that those benefits should be paid fortnightly. The Government regards it as doubtful that these benefits (non-contributory invalidity pension, housewives non-contributory invalidity pension, invalidity benefit, industrial disablement and death benefits, maternity allowance, attendance allowance and invalid care allowance etc) need always to be made available on a weekly basis. There may well be a need for weekly payment where supplementary benefit is in payment but for many other people less frequent payment is unlikely to cause hardship and would reduce administrative costs. The same considerations apply to war pensions

but there is no reason to disturb the present arrangements for mobility allowance which is already paid four-weekly. However the Government does not think it appropriate to compel people to change to less frequent payment.

22. The Government considers that in principle these other benefits should be treated in the same way as retirement and widows pensions. This would mean, in general, giving people receiving these benefits the choice of weekly payment by order book or four-weekly payment direct into a bank account by ACT. War pensioners would retain their option to be paid quarterly although this should be by the more convenient method of ACT rather than crossed order in the future. The Government proposes to offer people receiving most of these benefits the new choice of payment arrangements from early 1983 onwards.

### Other changes to reduce DHSS administrative costs

23. The review team recommended a number of areas where administrative savings could be made through simplification and greater consistency. The Select Committee recommended that work on these smaller-scale changes should go ahead. The Government proposes to introduce most of the changes and hopes to achieve almost 80% of the savings identified by the review team in respect of these smaller changes. The changes are outlined briefly in Annex I.

### REDUCING THE COST OF ADMINISTERING SOCIAL SECURITY

24. The Government's proposals will achieve a significant reduction in taxpayers money spent on administering social security. These savings will only build up to near their full amount about 5 years after implementation. Even then the actual savings will depend on whether individuals voluntarily choose to be paid by ACT direct into their bank accounts. On the basis of current information

the Government estimates that by the end of 1987/88 DHSS administrative costs are likely to be reduced annually by about the following amounts:

	£ million (at 1980-81 prices)
(i) Improved administrative procedures and services to the public.	13
(ii) Payment of benefits by ACT for those who choose this method (on the assumption that about 3.5 million people will choose it).	12
(iii) Payment of child benefit 4-weekly (with certain exceptions - see paragraph 17).	13
Total	<hr/> £38 million <hr/>

These figures are not directly comparable with the estimates made by the review team which were prepared on different assumptions and were at Autumn 1978 prices. There would be proportionate reductions in the administrative costs of the Department of Health and Social Services for Northern Ireland which operates the social security system there and which will be implementing corresponding changes in payment arrangements.

#### IMPLICATIONS FOR THE POST OFFICE OF THE GOVERNMENT'S PROPOSALS

25. The Government is committed to maintaining an adequate sub-post office network and it has given the most careful consideration to the implications of its proposals for this network. Several factors need to be weighed in assessing the impact of the Government's proposals on post offices: the starting dates for changes and the speed of change; the likely growth of Post Office business among existing users of counter services other than DHSS; and the scope for generating additional counter business from new users. The Government has discussed its proposals with the Post Office and the National Federation of Sub-Postmasters. It is confident that the changes in the volume of counter business resulting from its proposals should not damage the post office network or pose unmanageable problems for the Post Office in safeguarding that network in the future providing the Post Office is allowed to take on a wider range of counter business as the Social Services Committee recommended. This will mean amending the Post Office Act 1969 which limits the business that the Post Office can conduct over its counters

to central and local government and area health authorities, unless this business is undertaken as a banking transaction through National Girobank. The Government has decided therefore to seek an early opportunity to amend the law so that the Post Office can undertake counter business for a wider range of customers in the public sector.

26. The extent to which the Post Office is able to take advantage of this legislative change will depend to a great extent on the competitiveness of its prices and its marketing skill. However after discussion with the Post Office the Government is satisfied that it would not be unreasonable to look for growth in total counter business of about 4% (over existing levels) within about 5 years of the new powers coming into effect. On top of this existing users of the Post Office anticipate that their counter business will increase by about 4% over the next 5 years. Thus counter business from new and existing customers could well grow by about 8% over 5 years or so compared with a reduction of about 6% in counter business over the same period from DHSS under the Government's proposals. Put another way although DHSS would be spending about £25 million (in today's prices) less on Post Office counter charges by 1987-88, other users would be spending substantially more by this date, perhaps between £30-£35 million more (in today's prices). The Post Office have accepted these estimates.

27. The Government also considers that <sup>there is scope</sup> for greater use of National Girobank in the payment of social security benefits as the Social Services Committee recommended. The extent to which this potential scope is realised will depend on the capacity of National Girobank to handle large increases in the number of personal accounts and on their commercial policy. However the Government would like to see such a development and will be encouraging National Girobank to grasp the commercial opportunities presented by the wider choice available to individuals for the payment of their social security benefits. Preliminary discussions have already taken place with National Girobank about establishing a small pilot project on the payment of retirement pensions into a Girobank account for a group of people willing to participate in this experiment. There will be further discussions with the Post Office and National Girobank to explore the full scope for new arrangements in the future.

28. The Government believes that the proposed change in the Post Office Act and the consequential growth in counter business from existing users will enable the post office network to cope with the proposed reduction in DHSS business. Nevertheless it will wish to keep a close watch on events to ensure that sub-post offices participate fully in the growth of new business opportunities.

to replace DHSS business. The number and location of both Crown Offices and sub-post offices are subject to change for reasons quite separate from deliberate changes in policy by departments or others responsible for providing counter business opportunities, eg population shifts and changes in shopping habits. Over the period 1970-80 sub-post offices declined in number by about 8% (to 21,056) and Crown Offices by about 9% (to 1,571). The Government and Post Office consider that the present size of the sub-post office network is about right.

If the proposed changes in social security payment arrangements seem likely to reduce the number of sub-post offices the Government would consider making payments for a limited period to enable individual sub-post offices to adjust to a new trading situation. However it sees no reason to change the present arrangements under which sub-postmasters are in general reimbursed for the amount of work they perform but with the smallest sub-post offices receiving a minimum scale of payment regardless of their volume of business.

#### CONSULTATIONS

29. The Government has consulted the Post Office about its proposals and outlined them to the National Federation of Sub-Postmasters and the Union of Communication Workers. It will now initiate more detailed discussions with these bodies as well as with representatives of DHSS staff and beneficiaries and with the banking community. The Government will give careful consideration to any ideas that emerge in these discussions for modifying the implementation of its proposals.

30. The Government would be glad also to have comments on its proposals from individuals or organisations and any such comments should be sent to DHSS, room 105, Ray House, 6/16 St Andrew Street, London EC4A 3AD before the end of February 1981.

#### CONCLUSION

31. Arrangements for paying social security benefits have not changed for over 30 years during which time methods of paying wages and salaries have altered considerably. Most other advanced countries pay benefits monthly or even less frequently, often through banks. The Government is convinced that there is considerable scope for changing the frequency of paying benefits for some people and that new payment methods should be offered. Within the next two years it wants

to make a start with more up-to-date and efficient arrangements for paying benefits by switching (with some exceptions) to four-weekly payment of child benefit; by starting to offer the facility for paying benefits by ACT direct into bank accounts for those who want it; and by making most of the smaller-scale administrative changes within DHSS set out in Annex I. The changes proposed by the Government will reduce the annual cost to DHSS of paying social security benefits by some £38 million (at current prices) by 1987/88. The Government is confident that these proposals will not damage the sub-post office network. It would be glad to have views on these proposals and will be discussing them with major interests as quickly as possible.

ANNEX I

CHANGES TO PROCEDURES IN DEPARTMENT OF HEALTH AND SOCIAL SECURITY

The more detailed recommendations made by the review team for making administrative savings in the Department of Health and Social Security are set out below with the Government's response.

Order-books to be sent direct to most people's home addresses

1. This proposal would create additional work which would need some 130 extra staff in Newcastle Central Office and lead to a 30% - 40% increase in the number of order-books not received by beneficiaries. The Government is also concerned that the proposal might increase opportunities for fraud. These factors would make the savings some £2m less than the review team estimated and it has been decided not to proceed with this change.

The duration of computer-produced order-books should be standardised at 20 weeks (except for child benefit and some minor benefits)

2. The duration of retirement pension order-books will be increased from 13 to 20 weeks from April 1981. <sup>The order books for</sup> most benefits (war pensions and disablement benefits) paid from North Fylde Central Office will be standardised at 20 weeks in 1982. Order-books for mobility allowance and family income supplement will continue to be issued for longer periods.

Child benefit order-books should last for 48 weeks and contain foils without cash denominations

3. This change would increase complexity for the Post Office and reduce room for flexibility in the child benefit scheme. Instead these order-books will be standardised at 20 weeks along with other computer-produced order-books. This change will be introduced from February 1981.

There should be greater use of combined order-books and girocheques for paying people with more than one benefit

4. This proposal is accepted and from April 1981 payment of invalidity benefit and supplementary benefit will be combined in appropriate cases.

DHSS girocheques for supplementary benefit should be cashable only at nominated post offices, and evidence of identity should be required where girocheques exceed £50

5. At present evidence of identity is required when payment by girocheque exceeds £30. The Post Office are being asked to increase this to £50 and the level will be reviewed annually. Further consideration is being given to providing for supplementary benefit girocheques to be cashable only at nominated post offices.

The standard method of paying nearly all overseas beneficiaries should be through banks with a branch in the United Kingdom

6. Action on this recommendation awaits discussions with UK representatives overseas.

Notes at the back of computer-produced order-books should be standardised and the books should be sorted by computer into geographical areas

7. Sorting into geographical areas has been discussed with the Post Office but savings are likely to be less than was first thought. The standardisation of notes will be considered when staff resources permit.

The upper limits on individual payments made by order-books (foil limits) should be increased to realistic levels and reviewed each year

8. All foil limits have now been increased to realistic levels (£60 for supplementary allowance and £100 for computer-produced order-books) and will be reviewed each year in line with uprating increases.

The period for implementing nationally the DHSS local office computer system should be reduced from 4 to 2 years, assuming the pilot study is successful

9. This recommendation is accepted subject to reconsideration following the pilot study.

All beneficiaries should be given a statement showing the calculation of their benefit

10. From November 1980 supplementary benefit claimants have been given a written notice of assessment and the position relating to other beneficiaries will be reviewed.

Pilot studies should be mounted to evaluate new ways of providing the public with essential advice and information about social security and there should be a programme for improving the quality of social security documents that go to the public

11. This recommendation is accepted.

Benefit amounting to less than 50p a week should be paid once a year in arrears: sums between 50p and £1 should be paid once every 6 months in arrears

12. For retirement and widows' pensions sums of up to £1 will be paid once a year in arrears, but no change will be made for other beneficiaries.

Other administrative changes

13. The review team also proposed that single payments should be made by payable order rather than giro-cheque; that any arrears of benefit should be included with the first payment in an order-book; and that increases in benefit of up to £1 (50p for supplementary benefit) should be held and paid with arrears on the renewal order-book. These recommendations are accepted. In addition consideration will be given to reviewing the rules for calculating any periods for unemployment, sickness and supplementary benefits.



cc Mr Ingham



PRIME MINISTER

Mr Jakin's draft statement

for tomorrow (after your questions)

I think that the draft is over-bureaucratic

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522 and impersonal, but contact

From the Secretary of State for Social Services to let Mr Jakin use it if he wants to?

Robin Birch Esq  
Private Secretary  
Privy Council Offices  
Whitehall  
London SW1

told DMSS / Agreed not  
MS 7/12

MS  
8/12

5 December 1980

Dear Robin

ARRANGEMENTS FOR PAYING SOCIAL SECURITY BENEFITS

We discussed the proposal that the publication of the Government's reply to the Select Committee report including the report of the Rayner Scrutiny should be announced in an oral statement to the House next week. The date suggested is Tuesday 9 December.

I attach a draft statement and would be grateful for your confirmation that the statement can be made on Tuesday, as well as any comments you may have on the draft.

I am copying this letter to Private Secretaries at the Departments of Industry, Employment, PMG, Scotland, Wales, Whips Office and No 10.

Yours  
*Mike*

MIKE TULLY  
Private Secretary

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## DRAFT STATEMENT FOR SECRETARY OF STATE TO MAKE TO THE HOUSE ON 9 DECEMBER 1980

## ARRANGEMENTS FOR PAYING SOCIAL SECURITY BENEFITS

The House will recall that last February we debated arrangements for paying social security benefits and the implications for the sub-post office network. Widespread anxieties had been aroused in the country by misleading reports of what were thought to be the Government's intentions arising from a study of payment arrangements carried out last year in consultation with Sir Derek Rayner. Since then the Social Services Committee studied the matter and issued their own report. The Government is publishing today its reply to the Select Committee (Command ). Because we want to consult widely on the changes we now propose, this reply is in the form of a consultative document. It includes the full report of the original study by officials.

The consultative document makes it clear that we stand firmly by the Prime Minister's pledge of 29 February that retirement pensioners will continue to have their pensions paid weekly at post offices if they wish. We also repeat our commitment to safeguard the sub-post office network. [However] the Government considers that these commitments can be fully honoured without sacrificing our wish both to give the public more choice and to save taxpayers' money by increasing efficiency.

Three main changes in the system of payment are proposed. The first change that we have in mind is to enable those who wish to have their pensions or child benefit paid direct to a bank account by automated credit transfer. Such payments would be four weekly in arrears and there would be no compulsion.

Second, my Department will make a number of internal changes which will produce useful administrative savings and which the Select Committee recommended should proceed.

Third, we propose that child benefit should be paid four weekly for most mothers. People in receipt of supplementary benefit, family income supplement, the additional benefit for one-parent families and widows pensions together with mothers with 4 or more children, would be able to continue with weekly payment. This is a much larger group for weekly payment than the team of officials suggested and it takes account of our concern to protect vulnerable groups.

In the light of the anxieties expressed by the House, the Government has paid particular attention to the effect of these changes on Post Office finances and on sub-post offices. If these proposals were implemented then clearly there would be a reduction in DHSS business in post offices. By about 1987/88 DHSS would hope to reduce its administrative costs by about £38 million a year (in current prices). About £25 million of these savings would come from reduced encashment charges paid to the Post Office. In these circumstances the Government has thought it right to use the opportunity presented by the British Telecommunications Bill to allow the Post Office to conduct across its counters a wider range of business for the public sector. After discussing this with the Post Office the Government is satisfied that if this Bill is approved there will be considerable scope for new counter business. The Government estimates that counter business should increase by about 8 per cent in 5 years time compared with the 6 per cent of business lost as a result of the DHSS changes under the Government's proposals. The Post Office accepts these estimates.

These proposals will save taxpayers' money and provide more modern methods of paying benefits without damage to the sub-post office network. However we are anxious that there should be full opportunity for public discussion of these proposals and we hope that the consultative document will make for an informed debate. We shall be discussing our proposals with all the main interests, including the National Federation of Sub-Postmasters, over the next three months before taking final decisions.



10 DOWNING STREET

*Social Services* MS  
cc HO CO  
CDLO D. Rayner  
P90 B. Ingham  
CWO N. Sanders

*From the Private Secretary*

5 December 1980

We spoke yesterday about the consultation paper on arrangements for paying Social Security benefits.

This did not reach us until late yesterday afternoon. The Prime Minister did, however, manage to see it overnight, and she is content.

Subject to the views of the business managers, she is also content with the publication timetable you have in mind.

I am sending copies of this letter to Stephen Boys-Smith (Home Office), Robin Birch (Chancellor of the Duchy of Lancaster's Office), Richard Prescott (Paymaster General's Office), Murdo Maclean (Chief Whip's Office), David Wright (Cabinet Office), Clive Priestley (Sir Derek Rayner's Office) and Bernard Ingham (No. 10 Press Office).

M. A. PATTISON

Don Brereton, Esq.,  
Department of Health and Social Security.

PRIME MINISTER

cc. Mr. Sanders

Patrick Jenkin is now ready to publish his consultation paper on arrangements for paying Social Security benefits. There have been confidential discussions with the National Federation of Sub-Postmasters, the Post Office, and the Union of Communication Workers. The Postmasters are unhappy about the proposed four-weekly payment of Child Benefit. They have also raised a number of proposals for new activities. On the whole, Mr. Jenkin judges that there is now a degree of trust between the sides, although the Sub-Postmasters may use the consultation period to agitate against some of the proposals.

The package is little changed from the version you saw earlier. The key is paragraph 14, offering three timing choices <sup>for pensions</sup> for the future - weekly by order book, or four-weekly or quarterly by direct credit to a bank account. It is made clear that there will be no compulsion to adopt a particular method or to change from a present one. The fortnightly option has in effect been discarded. Child Benefit would be switched to a four-weekly basis. Other benefits would be made subject to the weekly or four-weekly option applied to pensions, although the quarterly option would not be relevant to most other groups.

The estimated savings figure has now been slightly reduced again, to £38 million per annum at 1980/81 prices by end 1987/88. But this figure has been accepted by the Post Office.

Mr. Jenkin has it in mind to arrange publication for next Tuesday, with an oral statement. He is in touch with the Chief Whip and the Leader of the House about the exact timing.

To meet this planned timetable, printing needs to start tomorrow. Content that the consultation paper should now be published? Agree the timing, subject to the views of the business managers?

MAD

Yes not

4 December 1980



*M. McLean Chief Whip*

DEPARTMENT OF HEALTH & SOCIAL SECURITY  
Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

*From the Secretary of State for Social Services*

The Rt Hon William Whitelaw CH MC MP  
Secretary of State for the Home Department  
Home Office  
50 Queen Anne's Gate  
LONDON SW1

*1<sup>st</sup> December 1980*

*Dear Willie,*

ARRANGEMENTS FOR PAYING SOCIAL SECURITY BENEFITS

H Committee agreed on 29 October to publication of the Command Paper attached to Memorandum H(80)75 subject to some redrafting that Keith Joseph and I were to undertake and to consultation with Post Office interests.

Keith Joseph and I met representatives of the National Federation of Sub-Postmasters on 21 November to discuss the Government's proposals with them in confidence. The Sub-Postmasters made it clear that they would have preferred the Government not to propose less frequent payment of child benefits. However they expressed their disagreement moderately and seemed reassured that there was to be a period of public discussion before final decisions were taken. They have maintained the confidentiality of our discussions and I interpret that as a good sign.

The National Federation also made a number of interesting suggestions for new activities that sub-postmasters could undertake. Keith Joseph and I will want to ensure that these suggestions are considered carefully within Whitehall. If we can accept some of the Sub-Postmasters' ideas on new activities I think that they might find it easier to accept less frequent payment of child benefit.

Keith Joseph has arranged consultation with the Post Office and the Union of Communication Workers about the Government's proposals. I understand that these went reasonably smoothly. We have had to adjust some of the figures in the Command Paper circulated to H Committee colleagues to take account of some points put to us by the Post Office. However the amended figures should not significantly affect the public reception of the Command Paper, particularly as we have added a sentence to make it clear that the published figures are those accepted by the Post Office.

Both Keith Joseph and I think that the way is now clear for us to publish the Command Paper. I attach a copy of the text that we have agreed. This is virtually the same as the version that colleagues saw earlier except that the figures in paragraphs 24, 26 and 31 are a little different and we have added a month to the period for consultation in paragraph 30. Otherwise the only changes are minor drafting refinements.

My Department is in touch with the Paymaster General's Officer to settle a date for publication. I hope this can be in the week of 8 December, as the sooner we get this out now the better. I should be grateful for agreement to proceed on this basis.

You are  
P  
Rahul

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## ARRANGEMENTS FOR PAYING SOCIAL SECURITY BENEFITS

### INTRODUCTION

1. This document is the Government's response to the First Report from the Social Services Committee (Session 1979-80) on the arrangements for paying social security benefits (other than unemployment benefit); and to the recommendations by a team of officials which reviewed the subject earlier. It also describes the arrangements for consultations on the Government's proposals. The Social Services Committee's report was published on 4 June 1980 and the review team's report is published as Annex II.

### BACKGROUND

2. The Government is committed to examining the efficiency of the public sector and to reducing administrative costs. Sir Derek Rayner was appointed by the Prime Minister to advise the Government in this area. As part of this process each Minister in charge of a Department, in consultation with Sir Derek Rayner, selects projects for study by teams of officials. The recommendations go to the Minister for decision. The Department of Health and Social Security's first study of this kind was a review of the arrangements for paying social security benefits.

3. Most social security payments are made by weekly orders issued in order-books and cashed over post office counters. Some 1,000 million social security payments are made each year at a cost now well in excess of £300 million (at current prices): over a half of this amount is paid to the Post Office. There has been a growing demand for social security payments to be made directly into bank accounts - reflecting the trend to payment of monthly salaries and occupational pensions in this way. Over 90% of unemployed people are now paid fortnightly. The present arrangements for other benefits are long-established and the time is ripe for review.

4. The DHSS review was carried out in the second half of 1979 and the results presented to Ministers towards the end of that year. Before the Government had had time to consider the full implications of the review team's proposals the possibility of changes became public knowledge and led to concern about possible



financial and other difficulties for pensioners and about the possibility of wide-spread closure of sub-post offices. The Government has made it clear that any changes which led to significant closures of sub-post offices would be wholly inconsistent with its aim of sustaining local communities. The Prime Minister told the House of Commons on 28 February 1980 that if retirement pensioners wished they could continue to have their pensions paid weekly through a post office. This assurance was repeated by the Secretary of State for Social Services to the Social Services Committee on 12 March. The Secretary of State has said that changes will not be made until the review had been published; and that there will be wide consultations on the proposals.

#### FACTORS AFFECTING CHANGE

5. The main consideration in making any change in the arrangements for paying benefits must always be the interests of beneficiaries. The Government is particularly concerned to protect those with limited resources whose weekly benefit payment is their lifeline. Fortnightly payment of benefits to the unemployed has been shown to work satisfactorily for most people. However the Government believes that generally people receiving supplementary benefit should continue to have the right to be paid weekly and that vulnerable groups should have a right to weekly payment of child benefit if they wish (see paragraph 17).

6. Nevertheless, the steady growth of cashless systems of money transmission and of the payment of wages at less frequent intervals than weekly and by methods other than cash, brings advantages to society as a whole, in security, speed and efficiency. For employers the costs and risks involved in handing out weekly pay packets are reduced. For recipients, cashless systems reduce the time spent in travel and queuing, and reduce the risk of theft. The Government recognises that many prefer to have cash in hand but believes that it should encourage a switch to different payment methods where these lead to a more efficient use of resources and save public expenditure. The payment of social security benefits is one area where, subject to protecting those most vulnerable, it can and should act. It is confident that the benefits of cashless systems of payment will come to be more widely appreciated.

7. The Government wants a system of paying benefits which meets the wishes and needs of beneficiaries; takes account of the need to maintain an adequate sub-post office network; provides better value for the taxpayer; and is more in tune with society in the 1980s. It considers that the proposals set out in

paragraphs 8-22 strike a reasonable balance between these objectives. In formulating its proposals the Government has taken into account the views expressed by Members of Parliament, local authorities, various organisations including the National Federation of Sub-Postmasters and members of the public. With the full co-operation and participation of the Post Office, an examination has been made of the consequences for Post Office finances and the network of crown and sub-offices of possible changes in the payment of social security benefits. The conclusions reached by the Government following this examination are set out in paragraphs 25-29. The Government's determination to ensure the continuance of an adequate sub-post office network is fully reflected in its proposals. It is satisfied that its proposals will benefit the taxpayer and beneficiaries without damaging the sub-post office network.

#### THE GOVERNMENT'S PROPOSALS

##### Direct crediting of benefits to bank accounts

8. Both the Select Committee and the review team favoured strongly the payment of benefits direct into bank accounts by automated credit transfer (ACT) for those people who preferred this method of payment. Both reports point to the increased use of bank accounts and credit transfer facilities generally.

9. The Government, like its predecessor, is in favour of offering payment of benefits by ACT into bank accounts, including those with National Girobank, Trustee Savings Banks and building societies. Market research carried out by DHSS indicates that sufficient beneficiaries would choose payment by ACT to justify the introduction of this method. Present estimates suggest that about 3.5 million beneficiaries would choose payment by ACT if it was available to them: this figure would include about 2 million mothers receiving child benefit; and approaching 1.5 million retirement, war and widows pensioners and other beneficiaries. Although more staff are likely to be required to make payments by ACT (because adjusting payments following a change of circumstance require more staff than with payment by order book) the extra staffing costs will be more than offset by the reduction in Post Office encashment charges.

10. The Government proposes therefore to offer payment by ACT from the middle of 1982 onwards to most beneficiaries who want it but there would be no question of anybody being compelled to use this method. As direct crediting could be undertaken only where the benefit is paid by computer, for the time being,

the method will have to be restricted to retirement and widows pensions, child benefit and some disablement benefits. Special considerations apply to unemployment benefit because assumptions about its duration are particularly difficult to make and further consideration will need to be given to the longer-term scope for paying benefits to the unemployed by ACT.

11. The Social Services Committee recommended that as an inducement to payment by ACT benefits should be paid two weeks in advance and two weeks in arrears. It cited the Netherlands as an example of this type of arrangement but in fact that country pays only retirement benefit on that basis: family benefits are paid 13 weeks in arrears. Although the Committee's proposal might encourage more people to choose payment by ACT, in the first year it would cost about £50 million more than the Government's proposals. Avoidable expenditure on this scale could not be contemplated at the present. Most of those who choose payment by ACT will be pensioners now paid by crossed order, who already accept payment mainly in arrears, and mothers receiving child benefit, which in most cases is a contribution to the family budget suitable for payment in arrears, rather than a weekly lifeline. The Government proposes therefore that when payment by ACT is chosen, it should be made at four-weekly intervals in arrears.

#### Retirement Pensioners and Widows

12. The team of officials recommended that retirement pensions and widows pensions, now paid weekly, should be paid fortnightly except for people at present aged 80 or over and those on supplementary benefit who wished to be paid weekly. The Social Services Committee did not make a recommendation about the payment of these benefits.

13. The Government has no intention of withdrawing from retirement pensioners or widows the choice of receiving their pension weekly at a post office. However many pensioners are not wedded to this method of payment; and many would prefer to be paid through a bank and would be willing to receive their payments less often than weekly. This is particularly likely to be the case among many younger pensioners and those reaching retirement age during the next decade. Many of

these people have been used to monthly payment of their salary through a bank and their occupational pensions will be paid in the same way. Apart from the Irish Republic this country is unique among EEC countries in paying retirement pensions as frequently as once a week.

14. In the longer-term the Government hopes that more pensioners and widows will move away from weekly payment of their pensions but it would not want to compel anybody to do this. Instead it prefers over the next two years to develop 3 main payment choices for pensioners:

- weekly by order book
- 4-weekly by direct credit to a bank account
- quarterly by direct credit to a bank account.

It would still be open to those people choosing the first method to cash their order book foils less frequently than once a week - as they can do now. The second and third methods would replace as quickly as possible the present arrangements whereby a crossed order is sent to a pensioner every 4 or 13 weeks. This would save the pensioner having to go to a bank to pay in the order. However no pensioner would be compelled to use a particular payment method and existing pensioners would not have to alter their present method of payment unless they choose to do so.

15. It is a major administrative exercise to offer new payment arrangements to over 9 million retirement pensioners. The changeover will be smoother and the transitional administrative costs will be less if it is phased over a period. The Government proposes therefore that from mid-1982 onwards new pensioners and existing pensioners paid by crossed order would be offered the choice of payment direct into a bank account by ACT. This payment method would be offered to other existing pensioners from the end of 1982 onwards.

### Child Benefit

16. The review team recommended that child benefit should be paid 4-weekly except for those on supplementary benefit or family income supplement who wished to be paid weekly. The Select Committee on the other hand recommended that for the time being child benefit should continue to be available weekly unless the beneficiary asked for payments to be credited to a bank account. The Select Committee was of the opinion that the number of families needing weekly payment was greater than the review team suggested; and it drew attention to the increasing importance of child benefit when the general level of benefits was being subjected to more critical scrutiny.

17. The Government recognises that there are some families for whom weekly payment of child benefit is essential particularly those who use it for inescapable weekly housekeeping commitments. It agrees with the Select Committee that there may be families other than those receiving supplementary benefit or family income supplement who should be able to choose weekly payment of child benefit. It proposes therefore to extend the range of choice recommended by the review team. In addition to families receiving supplementary benefit and family income supplement, the Government considers that the choice of weekly payment of child benefit should also be retained by those receiving the additional child benefit for one-parent families, by widowed mothers and by families with four or more children at the time any change in the frequency of payment takes place.

18. However the Government believes that for many other families child benefit is a much less vital source of regular income. Unlike a pension, child benefit is not the main source of income for a household; and for most recipients the period for which the benefit is paid need not be so closely related to the pattern of household budgeting. Child benefit is often used for intermittent purchases such as children's clothing and larger items of household equipment. The review team showed that less than half of families cash their child benefit weekly but these mothers still have to be provided with order-books containing weekly foils for which Post Office encashment charges are higher than if a single payment was made for a higher amount.

19. No other country in Europe pays its family benefits as frequently as the United Kingdom, as the following table shows:

<u>Monthly payment</u>	<u>Quarterly payment</u>
Belgium	Denmark
France	Netherlands
Irish Republic	
Italy	
Luxembourg	
West Germany (except those people paid every 2 months)	

Moreover in the future many mothers are likely to choose payment of their child benefit direct into a bank account by ACT and this cannot be organised more frequently than every 4 weeks. There would be a considerable saving in administrative costs borne by the taxpayer if unnecessary weekly payments of child benefit could be eliminated.

20. The Government believes that for most families payment of child benefit every four weeks would be generally acceptable. Market research carried out by the review team supports this view. However before making such a change the Government considers that mothers in the more vulnerable groups of families mentioned in paragraph 17 should be given the choice of retaining weekly payment of their child benefit. The Government thinks that it would be appropriate for most mothers to switch to payment of child benefit four-weekly in arrears - either direct to a bank account by ACT or by order books with foils cashable every 4 weeks at a post office. This could be done within the next year or so. However before introducing this change the Government would be interested to hear the views of individuals and organisations concerned with the welfare of families with children.

### Other Benefits

21. In its Report the Select Committee said (paragraph 25) "DHSS may wish to explore further the possibility of moving towards periodical payments for some of the smaller volume benefits if, and only if, it can be established that this would be generally acceptable to claimants". The review team recommended that those benefits should be paid fortnightly. The Government regards it as doubtful that these benefits (non-contributory invalidity pension, housewives non-contributory invalidity pension, invalidity benefit, industrial disablement and death benefits, maternity allowance, attendance allowance and invalid care allowance etc) need always to be made available on a weekly basis. There may well be a need for weekly payment where supplementary benefit is in payment but for many other people less frequent payment is unlikely to cause hardship and would reduce administrative costs. The same considerations apply to war pensions

but there is no reason to disturb the present arrangements for mobility allowance which is already paid four-weekly. However the Government does not think it appropriate to compel people to change to less frequent payment.

22. The Government considers that in principle these other benefits should be treated in the same way as retirement and widows pensions. This would mean, in general, giving people receiving these benefits the choice of weekly payment by order book or four-weekly payment direct into a bank account by ACT. War pensioners would retain their option to be paid quarterly although this should be by the more convenient method of ACT rather than crossed order in the future. The Government proposes to offer people receiving these benefits the new choice of payment arrangements from early 1983 onwards.

### Other changes to reduce DHSS administrative costs

23. The review team recommended a number of areas where administrative savings could be made through simplification and greater consistency. The Select Committee recommended that work on these smaller-scale changes should go ahead. The Government proposes to introduce most of the changes and hopes to achieve almost 80% of the savings identified by the review team in respect of these smaller changes. The changes are outlined briefly in Annex I.

### REDUCING THE COST OF ADMINISTERING SOCIAL SECURITY

24. The Government's proposals will achieve a significant reduction in taxpayers money spent on administering social security. These savings will only build up to near their full amount about 5 years after implementation. Even then the actual savings will depend on whether individuals voluntarily choose to be paid by ACT direct into their bank accounts. On the basis of current information

the Government estimates that by the end of 1987/88 DHSS administrative costs are likely to be reduced annually by about the following amounts:

	\$ million (at 1980-81 prices)
(i) Improved administrative procedures and services to the public.	13
(ii) Payment of benefits by ACT for those who choose this method (on the assumption that about 3.5 million people will choose it).	12
(iii) Payment of child benefit 4-weekly (with certain exceptions - see paragraph 17).	13
Total	<hr/> £38 million <hr/>

These figures are not directly comparable with the estimates made by the review team which were prepared on different assumptions and were at Autumn 1978 prices. There would be proportionate reductions in the administrative costs of the Department of Health and Social Services for Northern Ireland which operates the social security system there and which will be implementing corresponding changes in payment arrangements.

#### IMPLICATIONS FOR THE POST OFFICE OF THE GOVERNMENT'S PROPOSALS

25. The Government is committed to maintaining an adequate sub-post office network and it has given the most careful consideration to the implications of its proposals for this network. Several factors need to be weighed in assessing the impact of the Government's proposals on post offices: the starting dates for changes and the speed of change; the likely growth of Post Office business among existing users of counter services other than DHSS; and the scope for generating additional counter business from new users. The Government has discussed its proposals with the Post Office and the National Federation of Sub-Postmasters. It is confident that the changes in the volume of counter business resulting from its proposals should not damage the post office network or pose unmanageable problems for the Post Office in safeguarding that network in the future providing the Post Office is allowed to take on a wider range of counter business as the Social Services Committee recommended. This will mean amending the Post Office Act 1969 which limits the business that the Post Office can conduct over its counters.



to central and local government and area health authorities, unless this business is undertaken as a banking transaction through National Girobank. The Government has decided therefore to seek an early opportunity to amend the law so that the Post Office can undertake counter business for a wider range of customers in the public sector.

26. The extent to which the Post Office is able to take advantage of this legislative change will depend to a great extent on the competitiveness of its prices and its marketing skill. However after discussion with the Post Office the Government is satisfied that it would not be unreasonable to look for growth in total counter business of about 4% (over existing levels) within about 5 years of the new powers coming into effect. On top of this existing users of the Post Office anticipate that their counter business will increase by about 4% over the next 5 years. Thus counter business from new and existing customers could well grow by about 8% over 5 years or so compared with a reduction of about 6% in counter business over the same period from DHSS under the Government's proposals. Put another way although DHSS would be spending about £25 million (in today's prices) less on Post Office counter charges by 1987-88, other users would be spending substantially more by this date, perhaps between £30-£35 million more (in today's prices). The Post Office have accepted these estimates.

27. The Government also considers that <sup>there is scope</sup> for greater use of National Girobank in the payment of social security benefits as the Social Services Committee recommended. The extent to which this potential scope is realised will depend on the capacity of National Girobank to handle large increases in the number of personal accounts and on their commercial policy. However the Government would like to see such a development and will be encouraging National Girobank to grasp the commercial opportunities presented by the wider choice available to individuals for the payment of their social security benefits. Preliminary discussions have already taken place with National Girobank about establishing a small pilot project on the payment of retirement pensions into a Girobank account for a group of people willing to participate in this experiment. There will be further discussions with the Post Office and National Girobank to explore the full scope for new arrangements in the future.

28. The Government believes that the proposed change in the Post Office Act and the consequential growth in counter business from existing users will enable the post office network to cope with the proposed reduction in DHSS business. Nevertheless it will wish to keep a close watch on events to ensure that sub-post offices participate fully in the growth of new business opportunities.

to replace DHSS business. The number and location of both Crown Offices and sub-post offices are subject to change for reasons quite separate from deliberate changes in policy by departments or others responsible for providing counter business opportunities, eg population shifts and changes in shopping habits. Over the period 1970-80 sub-post offices declined in number by about 8% (to 21,056) and Crown Offices by about 9% (to 1,571). The Government and Post Office consider that the present size of the sub-post office network is about right.

If the proposed changes in social security payment arrangements seem likely to reduce the number of sub-post offices the Government would consider making payments for a limited period to enable individual sub-post offices to adjust to a new trading situation. However it sees no reason to change the present arrangements under which sub-postmasters are in general reimbursed for the amount of work they perform but with the smallest sub-post offices receiving a minimum scale of payment regardless of their volume of business.

#### CONSULTATIONS

29. The Government has consulted the Post Office about its proposals and outlined them to the National Federation of Sub-Postmasters and the Union of Communication Workers. It will now initiate more detailed discussions with these bodies as well as with representatives of DHSS staff and beneficiaries and with the banking community. The Government will give careful consideration to any ideas that emerge in these discussions for modifying the implementation of its proposals.

30. The Government would be glad also to have comments on its proposals from individuals or organisations and any such comments should be sent to DHSS, room 105, Ray House, 6/16 St Andrew Street, London EC4A 3AD before the end of February 1981.

#### CONCLUSION

31. Arrangements for paying social security benefits have not changed for over 30 years during which methods of paying wages and salaries have altered considerably. Most other advanced countries pay benefits monthly or even less frequently, often through banks. The Government is convinced that there is considerable scope for changing the frequency of paying benefits for some people and that new payment methods should be offered. Within the next two years it wants

to make a start with more up-to-date and efficient arrangements for paying benefit by switching (with some exceptions) to four-weekly payment of child benefit; by starting to offer the facility for paying benefits by ACT direct into bank accounts for those who want it; and by making most of the smaller-scale administrative changes within DHSS set out in Annex I. The changes proposed by the Government will reduce the annual cost to DHSS of paying social security benefits by some £33 million (at current prices) by 1987/88. The Government is confident that these proposals will not damage the sub-post office network. It would be glad to have views on these proposals and will be discussing them with major interests as quickly as possible.

ANNEX I

CHANGES TO PROCEDURES IN DEPARTMENT OF HEALTH AND SOCIAL SECURITY

The more detailed recommendations made by the review team for making administrative savings in the Department of Health and Social Security are set out below with the Government's response.

Order-books to be sent direct to most people's home addresses

1. This proposal would create additional work which would need some 130 extra staff in Newcastle Central Office and lead to a 30% - 40% increase in the number of order-books not received by beneficiaries. The Government is also concerned that the proposal might increase opportunities for fraud. These factors would make the savings some £2m less than the review team estimated and it has been decided not to proceed with this change.

The duration of computer-produced order-books should be standardised at 20 weeks (except for child benefit and some minor benefits)

2. The duration of retirement pension order-books will be increased from 13 to 20 weeks from April 1981 and most benefits (war pensions and disablement benefits paid from North Fylde Central Office will be standardised at 20 weeks in 1982. Order-books for mobility allowance and family income supplement will continue to be issued for longer periods.

Child benefit order-books should last for 48 weeks and contain foils without cash denominations

3. This change would increase complexity for the Post Office and reduce room for flexibility in the child benefit scheme. Instead these order-books will be standardised at 20 weeks along with other computer-produced order-books. This change will be introduced from February 1981.

There should be greater use of combined order-books and girocheques for paying people with more than one benefit

4. This proposal is accepted and from April 1981 payment of invalidity benefit and supplementary benefit will be combined in appropriate cases.

DHSS girocheques for supplementary benefit should be cashable only at nominated post offices, and evidence of identity should be required where girocheques exceed £50

5. At present evidence of identity is required when payment by girocheque exceeds £30. The Post Office are being asked to increase this to £50 and the level will be reviewed annually. Further consideration is being given to providing for supplementary benefit girocheques to be cashable only at nominated post offices.

The standard method of paying nearly all overseas beneficiaries should be through a branch in the United Kingdom

6. Action on this recommendation awaits discussions with UK representatives overseas.

Notes at the back of computer-produced order-books should be standardised and the books should be sorted by computer into geographical areas

7. Sorting into geographical areas is being discussed with the Post Office but savings are likely to be less than was first thought. The standardisation of notes will be considered when resources permit.

The upper limits on individual payments made by order-books (foil limits) should be increased to realistic levels and reviewed each year

8. All foil limits have now been increased to realistic levels (£60 for supplementary allowance and £100 for computer-produced order-books) and will be reviewed each year in line with uprating increases.



Minister of State

The Rt Hon James Prior MP  
Secretary of State  
Department of Employment  
Caxton House  
Tothill Street  
LONDON SW1H 9NA

Social  
Services

Civil Service Department  
Whitehall London SW1A 2AZ  
Telephone 01-273 3000

✓ 11/10  
28 October 1980

Jim

#### ARRANGEMENTS FOR PAYING SOCIAL SECURITY BENEFITS

You copied to Christopher Soames your letter of 21 October to Patrick Jenkin on the draft Command Paper. Your views are very much in line with what I said to Patrick Jenkin in my letter of 16 October. I would, however, like briefly to lend further support to your conclusions.

I am very glad to see that as a result of experience in paying benefits fortnightly to the unemployed you now suggest withdrawing the option for claimants to choose to be paid weekly.

This reinforces my view that, as you say, we should avoid giving assurances which would prevent payment arrangements being simplified, or prejudice action to encourage pensioners and other beneficiaries to accept less frequent payment.

I am copying this letter to the Prime Minister, Keith Joseph, all members of H Committee, Sir Robert Armstrong and Sir Derek Rayner.

PAUL CHANNON

✓  
Paul

jm



✓  
MA

Caxton House Tothill Street London SW1H 9NA

Telephone Direct Line 01-213 6400

Switchboard 01-213 3000

Rt Hon Patrick Jenkin MP  
Secretary of State for Health  
and Social Security  
Department of Health and Social  
Security  
Alexander Fleming House  
Elephant and Castle  
LONDON SE1

21

October 1980

#### ARRANGEMENTS FOR PAYING SOCIAL SECURITY BENEFITS

You asked for comments on the draft Command Paper before H Committee meets on 14/15 October.

My officials have been involved in the drafting and I do not wish to comment on the general line proposed.

I am anxious however to avoid, in presenting the paper, circumscribing our scope for further action more than we need to. The paper does not deal with frequency of payments of benefits to the unemployed which are paid fortnightly already. But your letter in recording the Prime Minister's pledge that retirement pensioners can continue to have their benefits paid weekly in future if they wish, extends this to suggest no announcement on future plans for fortnightly payment for retirement pensioners and concludes that you regard this stance on retirement pensioners as logically leading to the consequence that we do not change other similar benefits (except child benefit) over to fortnightly payment on a compulsory basis.

I must say that I do not support this so far as benefits to the unemployed are concerned. More specifically I should like as part of my staff savings commitments to withdraw the option for claimants in receipt of unemployment benefit to choose to be paid weekly. The numbers doing so are now down to between 3%-4% and withdrawing it would save some 200 staff. We should retain the ability to decide on our part that some claimants should be paid weekly. Currently a further 3%-4% of claimants are paid weekly because we choose to do so. It is perhaps significant that some offices have so arranged matters that almost no claimants are paid weekly either at their own request or at ours presumably with no ill effects on anyone concerned. I might add that our introduction of fortnightly payment in September last year went very smoothly and has been generally well received by the public and the staff. We have achieved a 7% increase in labour productivity as a result of it. Statement in the paper such as that in paragraph 17 that weekly payment of



child benefit is essential particularly for those who use it for inescapable weekly household commitments seem somewhat exaggerated in the light of our experience.

I had hoped we might put a proposal to abolish the weekly option for benefit to the unemployed to the new Social Security Advisory Committee when it is set up later this year. No doubt you and colleagues will let me know your reactions to this. Perhaps I should also note here that I shall look with interest at any proposal in the DE/DHSS Joint Rayner Scrutiny Report which indicates that significant economies can be made in the way that benefits are paid.

I am copying this letter to the recipients of yours.

*Yours  
Yours*





2 MARSHAM STREET  
LONDON SW1P 3EB

My ref: H/PSO/17341/80

Your ref:

17 October 1980

*MAJ*

*Dear Willie*

ARRANGEMENTS FOR PAYING SOCIAL SECURITY BENEFITS

I have seen a copy of Patrick Jenkin's letter to you of 26 September covering a draft Command Paper.

I was pleased that the draft is sympathetic concerning the potential effects of the new arrangements on the sub-post office network, particularly the smaller offices (which include many in rural areas - in this respect my special concern and responsibility). Of key importance is the commitment in paragraph 25 to introduce amending legislation to enable the Post Office to take on a wider range of counter business. However it must be recognised that rural sub-post offices are likely to be specially vulnerable to loss of DHSS business, and to have fewer opportunities for developing new counter traffic.

In this regard, the reference in paragraph 29 of the draft to some form of financial safety-net seems to me essential if our stated intention to maintain the network at about its present level is to have credibility. I would have preferred a more positive tone here, but am prepared to accept the present wording. I would, however, be opposed to any weakening of this crucial passage.

I agree we should not now pursue the change to fortnightly payment of retirement pensions and other similar benefits on a compulsory basis. Compulsion on this point would ensure a rough ride for the whole package.

Lastly, I am reassured that we shall be consulting the sub-postmasters prior to publication. Their goodwill is vital to the success of the new arrangements.

I am copying this letter to Patrick Jenkin and to the recipients of his.

*Yours ever*  
*Michael Heseltine*

MICHAEL HESELTINE



NORTHERN IRELAND OFFICE  
GREAT GEORGE STREET,  
LONDON SW1P 3AJ

SECRETARY OF STATE  
FOR  
NORTHERN IRELAND

16 October 1980

Rt Hon Patrick Jenkin MP  
Secretary of State for Social Services  
Department of Health and Social  
Security  
Alexander Fleming House  
Elephant and Castle  
London  
SE1 6BY

*Seas Parnell*

#### ARRANGEMENTS FOR PAYING SOCIAL SECURITY BENEFITS

Thank you for copying to me your letter of 26 September to Willie Whitelaw on this subject. I note that you now propose to drop fortnightly payments even to new retirement pensioners, and while the loss of the cost savings which fortnightly payment would have produced is to be regretted, I think that you are best placed to make the political judgement which this decision entails.

We intend to match the proposed changes in payment arrangements, including the introduction of automated credit transfer, in Northern Ireland. The Government's proposals in the Command Paper can therefore apply to the United Kingdom as a whole. Consequently Paragraph 24 (which refers to reductions in DHSS administrative costs which apply only to Great Britain) could be amended to mention pro rata reductions in administrative costs for DHSS (Northern Ireland). Perhaps officials in that Department could suggest a form of words to your officials.

I am content with your suggested timetable for publication.

I am copying this letter to the recipients of yours.

*Yours etc*

*Hamphrey*



Minister of State

The Rt Hon Patrick Jenkin MP  
Secretary of State for  
Social Services  
Department of Health &  
Social Security  
Alexander Fleming House  
Elephant & Castle  
London SE1 6BY

✓ MAD  
Civil Service Department  
Whitehall London SW1A 2AZ  
Telephone 01-273 3000

16 October 1980

Dear Patrick,

#### ARRANGEMENTS FOR PAYING SOCIAL SECURITY BENEFITS

You sent Christopher Soames a copy of your letter of 26 September to Willie Whitelaw and the draft Command Paper. He has asked me to reply. I am happy with the way the draft Paper deals with the staff in question. As you know, our officials are still studying the staffing implications of ACT. While it is clear that the original estimates of additional staff required can be substantially reduced, the figures are not yet settled.

I believe that the paper should make clear that the Government intends to move steadily towards less frequent payments and administratively simpler payment methods. I understand why the Paper gives new pensioners the same assurance as has been given to existing pensioners that they will be able to draw their pensions weekly if they wish. This will of course slow down the move considerably. It becomes all the more important that we should do all we can to encourage people to move voluntarily towards longer payment intervals. Could the draft be clearer on this point?

There are four other points that strike me. First, would it not be possible to retain the option of fortnightly payment by order book for those who will accept it, so long as this would not cause undue additional work?

Secondly, I am worried about saying in paragraph 5 that we believe supplementary benefit should continue to be paid weekly. This could act as a brake on the very satisfactory trend towards fortnightly payment of supplementary benefit to the unemployed. I assume the intention here is that supplementary benefit should continue to be available weekly to those for whom less frequent payment would cause difficulty.

Thirdly, we are pledged not to compel anyone to open a bank account, and I understand the objections to moving from crossed orders to order books. But is it necessary to go so far as to pledge ourselves in paragraph 14 to allow existing pensioners to keep their present method of payment?

Fourthly, the draft introduces two additional exceptions to monthly payment of Child Benefit. I understand the wish to protect vulnerable groups. But it is only too easy to find a case for adding another and then another exception, each of which complicates the task of Government and increases the cost of administration. We must resist making exceptions if we are to achieve the administrative simplifications and reduction in spending to which we are committed. Are these new exceptions absolutely essential?

I am copying this letter to the Prime Minister, Keith Joseph, all Members of H Committee, Sir Robert Armstrong and Sir Derek Rayner.

PAUL CHANNON

Y  
/

Pal



Department of Employment  
 12 St. James's Square London SW1Y 4LL  
 Telephone Direct Line 01-214 2256  
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na  
 MAD 4/1  
 XI

C Priestley Esq  
 Cabinet Office  
 70 Whitehall  
 LONDON SW1A 2AS

Sir Jack Rayner & Co

(Rayner  
 unemployment  
 benefit  
 scrutiny)

If you agree, I

14 October 1980

will supply Mr. Peterson with a copy of  
 this on a personal basis.

Dear Olive

SP  
 16.10.80

The extracts requested are attached (slightly edited from Draft 1).

The savings quoted both in the extracts and in the letter are provisional, and based on the sometimes arbitrary assumptions stated in the draft of our report which you have seen. We cannot eliminate all double counting where recommendations overlap. No doubt the savings will be whittled down by Departments detailed comments on the first draft. In any event they should in no circumstances be quoted publicly, or treated as reliable accurate figures, just a broad indication of magnitude.

The net result if all our suggestions were to be implemented would be recurrent savings of about £70m pa, and 4800 fewer staff, for a once and for all investment of £50m. There are four large blocks

- i) fraud. Without this staff savings are higher at about 5000 but public expenditure would only be reduced by £50m pa.
- ii) moving SA work to the UBO. Without this there is no need for the £50m investment but cumulative with doing nothing on fraud the savings would be reduced to 3600 staff and £42m pa.
- iii) voluntary registration. On its own this is worth 2000 staff. Some associated tightening up in benefit offices might require 125-200 more staff. Without voluntary registration the net result of the scrutiny would be about 1600 staff saved and £28m.
- iv) a variety of procedural changes some of which are controversial, worth together the 1600 staff and £28m pa (rather dependant on final calculations on pay periods).

Yours

lan

IAN JOHNSTON

OVERPAYMENTS

5.9 In both UBOs and ILOs substantial numbers of staff are engaged in following up overpayments of UB and SA to the unemployed. However the systems in use leave much to be desired. In particular:

- few attempts have been made to measure their cost effectiveness
- many of the letters sent to claimants are repetitious or difficult to understand
- large sums of money are going unrecorded and unrecovered because offices lack proper instructions
- procedures for enabling UBOs and ILOs to work out jointly whether overpayments have occurred are seriously flawed.

5.10 Examples of these phenomena are:

- 'fail to sign' action in UBOs involves 290 man years and around 2½ million letters a year to claimants. Before the scrutiny there were no estimates of the savings. At our request an exercise was mounted to try to assess this. The results show that £2.1 million is being spent to recover £2.0 million (and there are good reasons for believing that the sums recovered are over-estimated).
- UBOs are sending ILOs around 100,000 (QB32 DE) forms a year asking whether UB overpayments can be ignored because SA appears to have been underpaid. In most cases ILOs have not sufficient information to reply.
- when a claimant in receipt of SA fails to sign and subsequent enquiries show that he returned to work during the period covered by his advance payment, staff in the UBO are instructed to send a form UB 735 to the appropriate ILO to notify the staff there of a potential overpayment. After extensive pilot trials this procedure has been operating nationally since September 1979. Until August 1980 the receiving staff had no instructions and the forms were simply being piled up in cupboards. About £3.2m in overpayments has been ignored in the past year as a result. The instructions now received suggest no recovery should be attempted.

COMMENT Implementation of the team's ideas would save at least 150 staff and reduce expenditure by £3.75m pa.]

PAY PERIODS

5.64 The pay periods for UB and SA differ. UB is paid, for days of unemployment, a week in arrears and a week in advance, with 3 waiting days unless there has been linking; while SA is paid a fortnight in advance for days of need with no waiting days. At the beginning and end of a claim there can be considerable confusion both for the claimant and for staff.

5.66 Also a considerable number of claimants receive, under present rules, an amount either greater or smaller than the amount which, on the face of it, we would expect them to receive. For example, it would seem logical to expect that a claimant who was unemployed for 4 weeks would receive 4 weeks' worth of SA. But that is not the case.

[COMMENT Team are still working on a solution.]

SICKNESS

5.201 Every year probably 300,000 people fall ill and claim sickness benefit during a spell of unemployment. In many cases being ill may prove to be the least of their worries. For they also fall victim to a situation in which they have to switch from claiming one benefit to claiming another; from being dealt with by one office to being dealt with by another; being paid on one day to being paid on another; from receiving benefit fortnightly to receiving it weekly; and from partly in advance to wholly in arrears. Were the amount of payment to vary from one benefit to another, claimants might understand if not enthuse over the changes. But when for two thirds of them the net result will be exactly the same money as they were getting before, some must regard the situation as akin to farce.

[COMMENT Team suggest that UBOs pay sickness benefit for first 3 weeks, worth roughly 200 staff.]

INSENSITIVE COMPUTERY

3.6 ii) Computer - issued SA Girocheques: Despite the fact that SA is paid two weeks in advance, girocheques for SA only, produced by one of the computer centres and sent directly to the claimant, include advice that it is for a period a week in arrears and a week in advance, as though the payment were UB. The final manual payment is accompanied

by a letter giving the correct period and many claimants thus perceive a gap in the record of payments. This occasions queries and unnecessary work for staff, and has led to costly appeals to independent tribunals.

7.14 Turning now to the complication of a previous UB claim, in 1979-80 130,000 of the 650,000 forms RD 45 posted from Newcastle to UBOs were unnecessary. We were unable to discover a reason why these enquiries from NUBS to the Records Computer should result in issue of an RD 45 and can see no useful purpose at all that it might serve. This appears simply to be an example of an oversight occurring because no-one in authority understands both the NUBS system and the Records system in sufficient detail to recognise and stop the over-lap. Each of these unwanted RD 45s causes some work on arrival in the UBO - stopping it would save 22 staff units worth £90,000 pa.

#### MANAGEMENT FORMULA

5.263 At present DHSS has a rigid management formula. Essentially, offices with up to 119 staff are managed by an SEO; those with 120 to 199 staff are managed by an SEO and a Principal; and those with 200 staff or more by two SEOs and a Principal.

5.264 No-one was able to give us a satisfactory reason for introducing a Principal as office manager other than the desire to recognise the increased responsibility of having more staff by paying the manager more. We see no essential difference between managing an ILO with 100 staff and managing one with 200 staff, simply that there are twice as many of the same type of problems.

5.265 However, the present system of having an SEO manager up to a certain size and then an SEO plus a Principal seems to be 'over-egging the pudding'.

5.266 Of course, it must be acknowledged that at some stage the simple numerical increase in problems becomes too much for one manager, however much he delegates to functional managers whether he be an SEO or a Principal. At this stage, there is no need to support the manager by an SEO who is fully capable of running an office in his own right. Instead, we think there is a case for having a more junior manager's assistant.

5.267 Though we can see a case for one assistant, we can see no case at all



for the present system in which offices with 200 or more staff have 3 "managers".

[COMMENT Implementation would save over 100 Principal and SED posts.]

#### JOBCENTRES

4.7 Jobcentres hardly spend any time trying to push the reluctant or poorly motivated into work. In many of the Jobcentres we visited such people, together with the less well qualified and the "rolling stones", are clearly relegated immediately to a second division when it comes to submitting candidates for particular jobs. In practice they are most unlikely ever to be submitted for a job unless they put pressure on the Jobcentre to find them work. By definition the work-shy seldom do. Registration for such claimants has thus become a fairly meaningless ritual which satisfies the requirements for receiving benefits but which does not usually lead to any subsequent contact with the Jobcentre. The net result is that someone claiming benefit who is not in fact trying to find work is most unlikely to be disturbed in this pursuit by the intervention of the Jobcentre.

4.8 This general theme is well illustrated by our survey of claimants. All were asked quite simply whether they were taking any steps to find work. 1% said "no". Secondly all the unemployed people interviewed were asked whether anyone was putting pressure on them to find work. Three quarters said no. Of the quarter saying yes most said that the pressure came from family or friends. Only 3% of the people interviewed - all of whom would have been registered at a Jobcentre - said that the Jobcentre was putting any pressure on them to find work.

4.9 The fact that registration is thus for the most part a mythical test of willingness to work is not its only weakness. It also leads to inefficiencies in the way Jobcentres operate. In part these inefficiencies centre on five groups

- those not looking for work
- those with a definite job to go to after a short period
- those for whom Jobcentres do not carry vacancies eg teachers, actors and printers, and
- those who find their jobs normally by other means eg through local newspapers or friends
- those unemployed for very short periods.

What these groups have in common is that none of them either want or need the Jobcentres' help. Having to register them is a waste of the Jobcentres' time. Worse, if the Jobcentre attempts to contact them subsequently to discuss specific jobs, they will be wasting yet more time on people who are not interested in the Jobcentres' offers of work.

4.20 Thus

- 1) compulsory registration is not a test of willingness to work
- 2) it is however a cause of considerable wasted effort amongst Jobcentre staff
- 3) removing the requirement to register would be unlikely to have any significant effect on the level of unfilled vacancies in the economy nor on the speed at which vacancies are filled
- 4) the need for a policing element in the benefit system to make sure that claimants do not stay on benefit when there are jobs available is best provided by the UROs.

[COMMENT The team propose making registration voluntary, increasing the number of staff in benefit offices who review cases and tightening availability rules and tests. On the assumption that only half the unemployed would register voluntarily, the net staff savings are over 1800, of which 2400 come from Jobcentres.]

## Run-around that claimants in the dole queue can't afford

Sir, — I applied for supplementary benefit as a postal claimant, signing on at the DHSS in Cirencester; I sent the forms to Swindon, was answered by the office in Cheltenham, and eventually received payment from Stroud.

One completed form precipitates numerous others from different DHSS offices — a complex type of asexual bureaucracy in which even the less astute might detect the ingredients for a potential systems malfunction, which leaves the faceless thousands outside the DHSS offices for often considerable periods of time without their sole income.

Having recently experienced such a malfunction, I feel moved to suggest that, on the face of it, it seems likely that there is a simpler way in which this monster could operate. — Yours  
**Phillip Sara.**  
 Edgeworth, Glos.

Sir, — A couple of months ago I became unemployed and applied for supplementary benefit. Payment was delayed for four weeks because the benefit office had me on record as wishing to sign on weekly rather than, as I intended, every fortnight.

Two weeks after my first payment, I was summoned to my local job centre and asked why I had not registered with Professional And Executive Register. A phone call revealed their PER had indeed received my registration forms several weeks before, but for some reason — again inexplicable—had failed to record them.

When I last claimed supplementary benefit as a student in Coventry, payment was delayed for five weeks because the DHSS sent my application forms to the wrong address.

When I eventually did receive my first Giro-cheque, I was unable to cash it — and all subsequent cheques — because they bore the wrong Post Office code number: and the Post Office, of course, was not allowed to tell me which branch the number corresponded to. Rather than face another interminable delay, I decided to pay all the cheques into what was left of my bank account. — Yours,  
**Paul Norris.**  
 Welwyn Garden City.



3 PPs  
 Soc Services  
 ✓ MAP

Caxton House Tothill Street London SW1H 9NA

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Rt Hon Patrick Jenkin MP  
 Secretary of State  
 Department of Health and Social  
 Security  
 Alexander Fleming House  
 Elephant and Castle  
 LONDON SE1

14 October 1980

*Patrick Jenkin*

#### SOCIAL SECURITY OPERATION STRATEGY

I was interested to read your paper on a long term strategy for social security operations.

I agree about the importance of reducing the complexity of our social security system and of using new technology to the full to reduce the costs of our operations. I also agree that we should aim at the same time to improve the quality of our services to the public and to take due account of the effect of changes on the interests and jobs satisfaction of the staff who carry them out.

Our experience with the computerisation of benefits to the unemployed is I think encouraging in all these respects. We are now about 90% computerised and as a result of this and other procedural changes have achieved an increase in labour productivity in the Benefit Service of approaching 6% pa over the last 8 years (44% overall). Paying benefits fortnightly has resulted in some 7% of these savings. You refer to staff attitudes. My view is that we should be quite open about our primary objective which is the achievement of a slimmer, more efficient civil service. Consultation is of course important and so is communication with all the staff but at the end of the day the staff can and must I think be brought to accept that management has a responsibility to take action in the interests of the wider public.

I applaud your aims to treat people 'in the round'. This will be relevant to our forthcoming consideration of the recommendations of the joint DE/DHSS Rayner Scrutiny of Benefits to the Unemployed. The scrutiny is also looking at the links between computer systems and I agree with the ground on which you propose to defend the setting up of such links.

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This programme offers the first real opportunity for implementing the basic principles of the Government's public purchasing policy viz that public purchasers should at a very early stage be discussing their requirements with British suppliers to find out what UK firms can best offer, and what will sell best abroad, so that they can frame their invitations to tender to take account of both factors. Such discussions assume an even greater significance in the light of the new GATT and EC rules on public procurement which come into effect at the end of the year and which prescribe open tender for the procurement of computers, with all the opportunities that offers to the American multi-nationals. I very much welcome, therefore, your proposals to hold informal bilateral discussions at an early stage with computer companies, particularly ICL and other British companies".

I see no objection to your making this document public.

I am copying this letter to the recipients of yours.

*Yours faithfully*  
*[Signature]*



✓ Social Services  
MAD

## CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 8224

13 October 1980

The Rt Hon Patrick Jenkin MP  
Secretary of State for Social Services  
Alexander Fleming House  
Elephant and Castle  
London SE1

*Patrick Jenkin*

### SOCIAL SECURITY OPERATIONAL STRATEGY

1. Thank you for copying to me the paper prepared in your Department on this subject. I found it interesting and readable.
2. It is an excellent idea to expose a paper like this to the outside world. As you say in your letter, success can be very often prejudiced if plans are kept too long under wraps. But equally important in this case I believe that you have something to be proud of. Whilst some people will jib at particular points, most should welcome the fact that you are carrying out work of a strategic nature with a view to providing a better service to the client and ensuring that expensive resources are not wasted through the use of out-moded systems.
3. I have no doubt from my experience with the scrutiny programme that there are savings to be had, and benefits to the staff and public to be achieved, from a close and radical look at such things as checking procedures, record keeping, the interface between HQ, regional and local offices and computerisation. The last is, I am sure, a key area for your Department although I am glad to see recognised, what is so often overlooked, that "technology is the tool not the master and should certainly not be introduced because it is there" (paragraph 46). I should add specifically that I agree with the proposition in paragraph 12.3 that short-term investment may be necessary to secure longer term savings through improved efficiency and effectiveness.
4. Perhaps I might now comment on particular points which struck me while going through your letter and the paper.

#### The management problem

5. I think the reader will be helped to understand better the objectives of the strategy and the management problems which you face if Section II were to contain more facts on the nature of the DHSS business, its scale and cost and the way scale and costs have changed over time. At the moment, I think too much is relegated to Appendices.

6. It would help bring the information alive if it were also related by way of example to particular benefits eg so many beneficiaries of such and such a benefit, getting so many payments, administered by so many staff, engaged on such and such operations at such and such costs.

7. The more that the size of the task which you face can be brought home to the outside world, the easier it will be to stimulate changed patterns of behaviour.

#### Foreign experience

8. This is referred to rather tantalizingly in paragraphs 4.3 and 33. The latter says that the British public will not - in the long run - accept a service inferior to that in neighbouring countries.

9. You might think it helpful to spell out the specific defects of our arrangements which you want to correct and the specific advantages of foreign systems which you wish to import. For example, you may like to exemplify the lost accuracy and speed of 30 years ago (paragraph 7) by reference to levels of both achieved by our neighbours.

#### Simplification

10. The theme of the subjects you have selected for "Rayners Projects" or scrutinies has effectively been simplification and this is certainly the case with the very promising study of unemployment and supplementary benefits for the unemployed, selected by you and Jim Prior for the current scrutiny round (paragraph 20 footnote).

11. I am therefore slightly disappointed by the reference to "policy simplification" as outside the paper's terms of reference (paragraph 8). I am not sure, in the field of social security, where the border between policy and operations lies, but I am struck by the references in paragraph 6 to 34 benefits, each with its own rules and each multiplying the complexity of the total structure, and at the end of paragraph 8 to the advantages of "a more advanced future system" being a reduction in "the administrative cost of complexity". (Similarly my eye was taken in paragraph 7 by the statement that the Department had had no choice in the past but to provide more staff to implement change.)

12. Does this mean that the existing high levels of complexity will be the foundation on which operational reform be built? If so, I would think that the "critical" point of contact between DHSS and the public (paragraph 30) will remain difficult.

13. In this connection the discussion of "general advice and information" to the public (paragraph 16) is very interesting, as I would guess that a substantial part of the work of both "outside agencies" (eg Citizens' Advice Bureaux and Social Service Departments) and client interest groups is attributable to the complexity of the benefits and the rules.

14. I was similarly interested in the comment on advice and information in paragraph 48c. The trade-off between expenditure on improved publicity and leaflets and decreased pressure on your local office staff may be difficult to trace but I would hope that the good work begun by your Information Division would continue, as I am sure that technology is only one of the answers.

DHSS Staff

15. While the references to the Staff Side and consultation are perhaps a little numerous, I applaud the recognition that the staff both have kept the system going (paragraph 6) and are under growing pressure (paragraph 6c). My own observation confirms that local office staff can be faced with difficult and taxing problems.

16. I agree that staff must be carried along with planned change, but I believe they will go along more readily if the complexity of their work is palpably reduced.

17. I wish you and your Department every success in development of the strategy and its subsequent implementation. I am sure that other Departments will learn from what you are doing.

18. I am copying this to your copy addressees.

*min ewe*  
*[Signature]*  
DEREK RAYNER





2 Rps  
✓ M

Treasury Chambers, Parliament Street, SW1P 3AG

Rt Hon William Whitelaw CH MC MP  
Secretary of State  
Home Office  
50 Queen Anne's Gate  
London SW1H 9AT

13 October 1980

*Dear Wilke,*

ARRANGEMENTS FOR PAYING SOCIAL SECURITY BENEFITS

I have seen Patrick Jenkin's letter to you of 26 September with a copy of the draft Command Paper on the proposals for paying social security benefits, which he intends to publish early in November.

I am content with the proposal for publication and, for the most part, with the draft paper. But there are one or two points on which I depart from Patrick's proposals and, while I think these can be reflected in the drafting of the paper (and make suggestions to that end), Patrick may prefer to have the matter discussed at the meeting of H Committee arranged for 14/15 October, as he envisages in his letter.

My first comment relates to the proposed treatment of retirement pensions. Although I can see the reasons for not pursuing the option of a move to fortnightly payment of retirement pensions, I do not think we should rule out any move for all time. It would surely be quite consistent with the pledges already given for the Government to indicate that it would wish to keep the matter under review and, if sensible, arrange for a further move in a few years time. The way to do this might be to allow pensions to continue to opt for weekly payment, but by a positive act. All others, who did not indicate their preference, would be paid fortnightly (or monthly). To cover this point I suggest that the last sentence of paragraph 14 be amended as follows:

"The Government would wish to keep the development of less frequent payment of pensions and other benefits under review so that, if circumstances indicated that it was desirable, further changes might be made in due course. For the moment

however no other changes than those listed above are intended. At no time however would any pensioner be compelled to use a particular method and existing pensioners would not have to alter their present method of payment if they wished to have it continued."

(This would read across into paragraph 22 - "Other benefits")

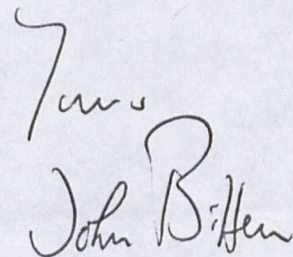
I note from the draft of paragraph 20, last sentence, that your proposals on child benefit are dependent on consultation with interested bodies. I wonder if we can be more positive about this by altering that sentence to read as follows:

"Before the date of introduction the Government would be interested in hearing the views of individuals and organisations concerned with the welfare of families with children."

I am struck by the disparity of treatment intended for recipients of child benefit compared with pensioners and others. If the draft is left as it is I think we shall face strong pressures from the children's lobbies to make the child benefit transfer optimal as well. This, I think, reinforces the need for some alterations on the lines I have suggested.

I think the present draft also goes too far in suggesting a means of "cushioning" sub-Post Offices. As the Chancellor said in his letter of 1 August, sub-Postmasters cannot expect to be provided with a safety net. Given that they can expect some increase in normal central government business and the promise of additional business as a result of the proposed change in the Post Office Act, there should be no need to go further in promising a fund to provide further subsidy. I would therefore prefer to see the last sentence of paragraph 28 and the last two sentences of paragraph 29 deleted.

I am sending copies of this letter to the Prime Minister, the Lord President, the Secretary of State for Industry, all Members of H Committee, Sir D Rayner and Sir Robert Armstrong.

A handwritten signature in dark ink, appearing to read 'John Biffen'. The signature is written in a cursive style with a large initial 'J' and 'B'.

JOHN BIFFEN

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SECRETARY OF STATE  
FOR  
NORTHERN IRELAND

NORTHERN IRELAND OFFICE  
GREAT GEORGE STREET,  
LONDON SW1P 3AJ

8 October 1980

VMS

The Rt Hon Patrick Jenkin MP  
Secretary of State for Social Services  
Alexander Fleming House  
Elephant and Castle  
LONDON  
SE1 6BY

Dear Patrick,

SOCIAL SECURITY OPERATIONAL STRATEGY

I have seen a copy of your letter of 26 September (and enclosure) to Willie Whitelaw and agree with your proposals to publicise the Strategy in the way you suggest.

Quite rightly, the Strategy looks a long way ahead, and is of course conceived on a scale many times greater than would be relevant in Northern Ireland. But I fully subscribe to the general aims as set out in the introduction to the document and would hope to adapt them to the local situation. I shall therefore arrange for the Department of Health and Social Services (NI) to produce, in consultation with other interested Northern Ireland Departments, a matching operational strategy tailored to local needs and circumstances.

I am copying this letter to recipients of yours.

Yours ever

Humphrey

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PART 1 ends:-

MAP to PM 30. 9. 80

PART 2 begins:-

S/S N. Ireland to S/S D&SS 8.10.80