

PERSONAL



CABINET OFFICE

With the compliments of

J. B. UNWIN

**70 Whitehall, London SW1A 2AS
Telephone 01 233**

Re Nagome



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SECRET

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From: J B UNWIN
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LORD PRESIDENT

**STAR CHAMBER: SOCIAL SECURITY
MEETING WITH MR FOWLER AT 9.30 AM ON TUESDAY, 21 OCTOBER**

The outcome of your first meeting with Mr Fowler last week was as follows:

(i) 1987-88: virtual agreement, subject to settling the uprating and consultation with the Chief Whip on the proposal to restrict supplementary benefit (SB) for mortgage interest to 50 per cent in the first 6 months of a claim. Mr Fowler wanted to modify it to 3 months at a cost of £10 million a year;

(ii) 1988-89 and 1989-90: Mr Fowler was asked to produce a further paper setting out a menu of possible savings.

2. I fear that we still do not have Mr Fowler's paper. As usual, DHSS are leaving it until the very last minute. The following briefing is, therefore, based on such advance intelligence as I have been able to get, and will need to be checked against the actual paper when we receive it.

MAIN ISSUES

3. I think you should pause briefly on 1987-88, and then proceed to the later years, on the basis below.

1987-88

4 The slightly higher uprating (2.1 per cent) has added some £25 million to the base. This increases the need to press Mr Fowler on the mortgage interest point. Subject to this, however, I think you can close the book on this year. I understand the possibility


of not uprating Additional Requirements in 1987 is now academic; DHSS now find that the uprating factor is too small to justify uprating most of these amounts anyway.

1988-89 and 1989-90

5. I understand that DHSS will circulate a note by officials (agreed with the Treasury) which lists the main savings possibilities, together with a brief statement of the pros and cons. Mr Fowler will probably add a short covering note declaring most if not all of them to be politically unacceptable.

6. The "menu" will select from the three illustrative packages in the Chief Secretary's original paper (MISC 130(86)7). The main measures likely to be included are:-

- changes to the earnings rule for widows and retirement pensions;
- changes in the rules for offsetting occupational pensions against benefits;
- tightening the National Insurance (NI) contribution conditions for unemployment benefit (UB) and supplementary benefit (SB);
- increasing the qualifying period for invalidity benefit from 26 to 52 weeks (a big saver - 20 in 1988-89 and 130 in 1989-90);
- abolishing the 25p age addition for the over 80s (saves 23 in 1989-90);
- extending the disqualification/deduction from UB and SB for voluntary unemployment from 13 to 26 or 52 weeks;

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- paying attendance allowance for children at half adult rates (saves around 40 a year);
 - forego the April 1989 child benefit uprating (saves 120).

7. You will want to go through these in order on the basis of the paper at the meeting, starting with the view of Mr Fowler and the Chief Secretary. Since Mr Fowler is likely to dismiss most if not all of them, the onus must be on the Chief Secretary to declare his own preference.

Need for Legislation

8. A crucial consideration will be whether the Group are prepared to recommend changes that need primary legislation. If not, the options will be even further constrained. If so, and subject to Mr Fowler's comments, I think that it should be possible to postpone announcement of legislation until the November 1987 Queen's Speech. The Treasury also believe that the details of those savings could be "lost" in the meantime - in other words, the gaff need not be blown in next Spring's Public Expenditure White Paper. If this is correct, it could have a significant bearing on the possibilities in relation to the prospective date of the next election.

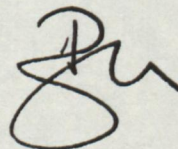
Child Benefit

9. The largest single savings option is to forego the April 1989 child benefit uprating. This would save an estimated £120 million in the last year. This would not need legislation. The present position is that, as agreed at last year's Star Chamber, there is no provision in the figures for an April 1988 child benefit uprating; but Mr Fowler has put in a bid for one in April 1989. It would be possible to remove this from the figures on the basis (if questioned) that the Government will review the position nearer the time in the light inter alia of the introduction in April 1988 of the new social security arrangements, including the

generous Family Credit Scheme.

Conclusions

10. I think that you ought to aim to reach at least a provisional conclusion tomorrow morning on what savings might be possible. You might then wish, before finally making up your mind, to try this out on the Prime Minister when you see her tomorrow afternoon.



J B UNWIN