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DEPARTMENT OF HEALTH AND SOCIAL SECURITY  
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From the Secretary of State for Social Services

The Rt Hon John Major MP  
Chief Secretary to the Treasury  
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Prime Minister 2 18 September 1987

For information. X is not right in logic. But there is of course a difficulty in paying an extra £1.30 to compensate for the 20% and at the same reducing benefits by £1.

Dear Sir

SURVEY 1987: INCOME-RELATED BENEFIT RATES

As part of the Survey, we have been discussing the rates of the new income related benefits to be introduced in April. There are two issues here - your request that the basic rates be reduced by £1 to produce savings of some £300m and the timing constraints which require the Rates to be decided in the very near future.

?X

I explained the strong arguments against the former: the need for adequate rates if we are to hold the line on the social fund, the climate in which we must get the Social Security Bill through the House, an additional 1.2million losers. But the strongest argument seems to me the impossibility of squaring such action with the pledges senior colleagues have given on compensation for the liability to meet 20 per cent of domestic rates. The reductions in the benefit rates will be readily apparent; were we to attempt to disguise them it would be inevitable that any argument that these rates included full compensation and that the saving had been made on the other elements of the benefit would simply not be credible.

The pledge was agreed with colleagues, and is regarded by them as vital to the effective presentation of their policies on local government finance. I do not believe that I can meet you on a reduction in these benefit rates without the agreement of colleagues that such action is acceptable within the terms of our political commitments.

I am afraid that we cannot leave the matter for resolution by the normal Survey process. As I have explained, DHSS local offices have a formidable task in front of them if they are to deliver the new

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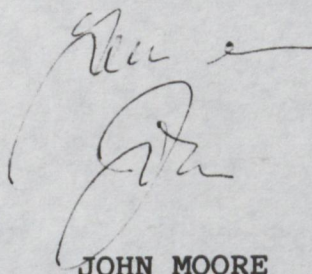


E.R.

schemes next April. They must make a start by 23 November if we are to meet our statutory obligations, get the reforms off to a positive start and if we are to avoid a repetition of the kind of confusion we experienced when housing benefit was introduced, when large numbers of people did not receive their new benefit on time. The annex sets out the timetable required to meet this date. It includes in addition to the Parliamentary process, the prior consultation with local authorities on housing benefit, which Counsel has advised us must take place. I am satisfied that the latest possible date for settling the benefit rates and beginning the consultation process is 15 October. Even this is a high-risk approach with the minimum period allowed for securing the approval of Parliament.

I appreciate that in the midst of your PES bilateral discussions you would naturally wish to defer a decision on the levels of benefits until the overall public expenditure picture is clearer. But the timetable gives us no choice. Whether we start the consultation before or after the Party Conference, the matter cannot be left as late as Star Chamber. If we cannot agree, I believe there is no time to be lost in bringing in other colleagues and I would propose to write more fully to the Prime Minister next week.

Meanwhile, I am copying this note to her, to the Lord President and to Sir Robert Armstrong.



JOHN MOORE



## SECRET

## TIMETABLE

<u>Preferred</u>	<u>Latest</u>	
1 October	15 October	<u>Housing Benefit rates</u> to local authorities for consultation.
15 October	29 October	Deadline for comment: Counsel advises 2 clear weeks as minimum.
22 October	5 November	Final decisions. Counsel advises one clear week as minimum to consider comments.
w/c 26 October	5 November	Uprating announcement.  Regulations laid.
Tuesday 2 and Tuesday 9 November	Tuesday 9 and Tuesday 16 November	Joint Committee on Statutory Instruments. These are substantial sets of regulations: it is highly likely that JCSI will not take them in one go. They may raise queries on them at either session.
Week of 16 November		Debates in both Houses. Full day debates may be needed.
23 November		Income support conversion exercise starts. Regulations must be made by then.