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PRIME MINISTER

SOCIAL SECURITY

John Moore has now settled his Public Expenditure Programme with the Chief Secretary. The main changes are as follows:

- the rates of income-related benefits to be introduced in April next year will be 50p for a single person and £1 for a couple lower than the illustrative rates (appropriately revalued) which were published during the social security consultations;
- the rate of housing benefit taper is to be increased to 65 per cent in 1988/89 and 70 per cent in 1989/90, compared to the 60 per cent originally planned;
- there is to be no uprating of income support for those in bed and breakfast accommodation;
- there will be measures to reduce the windfall gains for people under twenty-five which would otherwise arise from compensation for the 20 per cent rates contribution;
- the pay periods for the various benefits (fortnightly, weekly, in advance, in arrears) are to be aligned, yielding one-off savings.

These savings yield £244 million next year rising to £270 million. The DHSS have also agreed to study the options for changes to a variety of things, including child benefit and the Christmas bonus, the results to be taken into account in the 1988/89 Public Expenditure Survey.

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John Moore believes that he has to start consultations on housing benefit by 15 October. This will in effect be an announcement. There will in any case be great pressure for an announcement of all the upratings once the September RPI is announced on 9 October. John Moore is therefore considering with the business managers the timing of all the announcements, including the announcement that child benefit is to be frozen next year.

Child benefit and the 50p/£1 reductions are likely to be most controversial. Jack Cunningham ~~has~~ got wind of the latter, in a slightly garbled form. (I attach a copy of his letter.) I have asked for an urgent draft reply.

DR

MT

D R NORRGROVE

25 September 1987

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