

From: J B UNWIN  
9 September 1985

MR LANGDON

cc MR Wiggins  
Mr Eland  
Mr Norgrove - No 10 (for info)

COPY FOR

## REFORM OF SOCIAL SECURITY

I took the opportunity of a conversation with Anne Bowtell at DHSS this morning to find out more about their plans for reporting back to Ministers on the outcome of consultation on the Social Security Green Paper. The period of consultation formally finishes on 16 September and a number of major interested parties (eg the CBI) have still to submit their final views.

2. As expected, the areas of greatest difficulty are pensions and housing benefit. On pensions, as you may have seen in press reports, the CBI are likely to come out formally against the proposed abolition<sup>of</sup>/SERPS. There is also opposition to abolition from important pensions industry interests (eg Legal and General), largely on the grounds that abolition will break the pensions "consensus" established over the last decade and more. Ministers are likely, therefore, to be faced with the basic question of whether, in the face of this opposition, they are prepared to stick to the Green Paper proposals. Abandonment or major modification of them would not, I think, have any significant public expenditure implications in the short term; the massive savings accrue after a period of years.

3. On housing benefit, there seem to be some difficult problems with local authorities and on the more technical aspects of the proposed changes. Not surprisingly local authorities are objecting to the proposed changes in the subsidy arrangements and difficulties have emerged too in the proposal to assess rent and rates together as one sum. Mrs Bowtell said, however, that she did not think that modifications to the proposals to meet these problems need involve any net additional public expenditure cost.

4. For the rest, no major issues have arisen so far, although there is the usual pressure from the various lobbies for one concession or another. Mr Fowler will have to judge whether he wishes to propose any concessions and how to meet the cost consistent with his agreement with the Chancellor of the Exchequer on the global savings from the package.

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5. One issue to which DHSS themselves appear to be paying little attention is student support. You may recall that the Green Paper passed the buck to the putative separate consultative paper on students' support. Since the latter was scuppered before the recess, it is not clear who is picking the ball up. Mrs Bowtell said that she thought that DES intended to revive the official group (whatever that is) fairly soon. Somebody will need to make pretty rapid progress on this if the changes in student entitlement to SB and HB are to be introduced quickly, and I should be grateful if you could discover where exactly this stands.

Ministerial consideration and timing

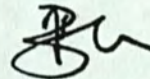
6. Mr Fowler returns from holiday today and is still to consider the major issues arising from consultation. Mrs Bowtell does not expect that he will be ready to report to colleagues until the middle of October (ie after the Party Conference). The aim will then be to publish a White Paper and Bill round about the middle of November. I told her (as I had previously indicated to DHSS) that we would expect a paper from Mr Fowler to MISC 111, with the subsequent White Paper to be cleared with the Cabinet before publication. However, two tricky issues of timing arise.

7. First, how the above timing will relate to this year's PESC. It looks as if both the Treasury and Mr Fowler will have to reserve their positions during the impending bilaterals - the Chief Secretary presumably sticking to the savings numbers that have already been pencilled in, and Mr Fowler reserving the right to seek changes in MISC 111. We may, therefore, be faced with a difficult juggling act between MISC 111 and the Star Chamber in the second half of October. It might help if we can press DHSS to come forward with the outcome of their consultations a little earlier, with a view to a MISC 111 discussion before the Party Conference.

8. Second, there is the related question of the timing of the publication of the Social Security White Paper in relation to the Autumn Statement. I am not sure how much it would matter, if at all, if the White Paper preceded the Autumn Statement, if the latter were, for example, delayed from the putative date of 12 November until towards the end of the month. This presumably depends on how many numbers the White Paper will contain. We must obviously discuss this with the Treasury and DHSS nearer the time.

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9. We must continue to keep in close touch with DHSS, the Treasury and DOE on all this. There is also the question of how the social security review relates to the proposed Treasury Green Paper on personal taxation and the consideration of local authority finance in E(LF). There are no arrangements as yet for any collective consideration of the former and we shall need to discuss this with No 10 when the Chancellor begins to show his hand (the present position is that the Revenue and Treasury are now doing extensive redrafting in the light of the Chancellor's holiday comments on the first draft).



J B UNWIN

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copy to Mr Norgrave (No 10)  
for information (a paper  
our conversation earlier  
today)

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MR UNWIN

cc Mr Wiggins  
Mr Roberts  
Mr Eland

TIME TABLE FOR SOCIAL SECURITY LEGISLATION

You asked about the room for manoeuvre in the time table for the Social Security legislation, in view of the need to assess the inter-action between this programme, the Local Government Finance Studies and the Green Paper on personal taxation.

DHSS's current thinking works back from the target start date of April 1987. That date is politically significant because of the stress that the Green Paper put on April upratings. It also, of course, underlies the calculations for future financial provision, and will read across to the autumn statement.

If the April 1987 target is to be met, then various affirmative resolution regulations will need to be made before the summer recess in 1986 so that DHSS can not only train their own staff on the pensions and family credit aspects but also get out detailed guidance to employers, who will need to set up their own training programmes etc. Identical considerations apply to the instructions that would need to be got out to local authorities on the housing benefit aspects of the legislation.

What that implies is that Royal Assent would have to be achieved by end June 1986 at the latest, and that means getting second reading before Christmas and introducing the legislation at the very beginning of December 1985.

There genuinely seems to be very little compressability in this, and even a proposal to cut out some sizeable chunk of the legislation (eg. on SERPS) would not much affect the time table in so far as it was dictated by an April 1987 start date. If that date were allowed to slip then it would theoretically be possible to contemplate making the regulations in the spillover in September/October 1986. But even that disruption would not enable you to

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introduce the Bill much later than described above, since second reading much after Christmas would lead to severe problems with the rest of the legislative programme quite apart from this Bill.

I am sorry that it is not possible to be more precise than this at the moment. We are having a meeting with the Business Managers at the beginning of October and the pressures of the rest of the programme will be rather clearer then. But I don't think that anything that we learn then will change the assessment that there will be severe problems with the Social Security Bill (however truncated) if we do not introduce it in December and preferably very early in that month.

AJL

A J LANGDON

20 September 1985