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PART C

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Lawson

PART C

CONFIDENTIAL

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PART C

and

CHANCELLOR'S PAPERS ON HEALTH AND SOCIAL SECURITY SERVICES

PO -CH /NL/0223

PART C

Begins: 13/10/88

Ends: 31/10/88 (CONTINUED)

DD: 25 years

15/9/95

CONFIDENTIAL

PPS pl. incl x para 7.

I agree. If Mr Mellor wants to have a new social services training strategy, it should be cleared (and costed) properly within Government before he makes public commitments as now proposed.

RR 13/10

M.

FROM: D RAYNER
DATE: 13 OCTOBER 1988

1. MR SAUNDERS

2. CHIEF SECRETARY

passed on

Mr N was slapped down on no uncertain terms!

cc Chancellor
Mr Anson
Mr Phillips
Miss Peirson
Mrs Case
Mr Turnbull
Mr A M White
Mr Potter
Mr Call

SOCIAL SERVICES TRAINING AND THE CHILD CARE INITIATIVE

Mr Mellor's letter of 7 October to the Lord President seeks colleagues' agreement to: (i) a number of improvements in social services training in the UK (see below), following the Government's decision not to accept proposals from the Central Council for Education and Training in Social Work (CCETSW) earlier this year for 3-year qualifying training for social workers; and (ii) his proposals for managing the child care training specific grant in 1989-90. Mr Mellor wants to present this package to the Social Services Conference on 21 October and at the first Annual Performance Review with CCETSW on 25 October. Attached to his letter is a draft speaking note, on which he asks for comments by 17 October.

2. It is unreasonable for Mr Mellor to expect you to give immediate agreement (even in principle) to these expensive new proposals before you have had a chance to discuss them in detail with H Committee colleagues. This submission therefore recommends that you write to Mr Mellor asking him to defer specific public references to these new proposals until they have been subject to more rigorous scrutiny and collective discussion. A draft letter is attached.

Social services training

3. Mr Mellor's proposals (estimated to cost some £20-30 million a year from 1990-91) go well beyond those you discussed in correspondence with Mr Newton earlier this year, and which formed the basis of the 1988 Survey bid. Those proposals centred on improvements in existing qualifying training - in particular in the quality and quantity of practice placements and the phasing out of 1-year post-graduate courses so that all social workers would have a minimum 2 years of qualifying training. Mr Mellor's latest proposals include:

181/10

- further improvements in qualifying training and the practical experience obtained by students (over and above those which were the subject of this year's successful DH Survey bid);

- enhanced post-qualifying training, including specialist training and training in supervision. This would be in addition to the in-service training in care of the elderly and of children, which is the subject of two recently agreed specific grants;

- vocational training for non-professional support staff through the National Vocational training arrangements.

4. Mr Mellor's letter is however very thin on detail. We will be meeting DH officials shortly to discuss these issues, and will give you a detailed assessment then, prior to a discussion in H Committee. In the meantime, the fact that these proposals have not yet been fully developed (let alone properly costed) underlines the need to avoid explicit public reference to them now.

<u>Costs</u>

5. The estimated (UK-wide) costings of these proposals - which would fall mainly, but not exclusively, on LA PSS current expenditure - are shown below. (DH officials stress that these costings are <u>very</u> provisional, and will need a good deal of further work.)

	£ million
- qualifying developments	10-12*
- post qualifying training initiative	10-12
- vocational training through NVQ	1-7 +
Total	20-30

* includes 1988 Survey bid of around £5m a year.

\+ costs would rise quickly after 1991, reaching an estimated £5m by 1991-92 and £7m by 1994-95.

6. Mr Mellor says (rather disingenuously) that he is not seeking any firm commitment to additional expenditure at this stage, only "broad endorsement of the policy aims"; yet for him to deliver a speech setting out these proposals would be tantamount to <u>pre-empting</u> the necessary resources.

Child care specific grant

7. You agreed in June to the introduction of this £7 million grant (covering £10m of expenditure) from 1989-90. Mr Mellor now seeks agreement to the proposals for administering and monitoring this grant outlined in the papers attached to his letter. We are not yet fully satisfied with these arrangements (for example, while the papers indicate that targets are to be set and monitoring and evaluation arrangements established, we are not told when or what they will be). We recommend therefore that you express caution in your reply to Mr Mellor: the Prime Minister has taken a close interest in social services training. The No10 letter of 29 July noted that there was a risk that some of the proposed expenditure would be misdirected without strong central supervision and monitoring against agreed standards; this has not yet been achieved. The Prime Minister has also said that it is important to involve independents in developing this training. Mr Mellor says that his proposals have already been the subject of independent scrutiny, and that the thrust of both this grant and the social services training proposals "has been endorsed". However he provides no further details, and we suggest your reply should ask for clarification.

Conclusion

8. The immediate need is to comment on Mr Mellor's draft speaking note. Paragraphs 3-10 cover those areas of policy which have already been agreed, and are uncontroversial. The new proposals are discussed in paras 11-15, and we recommend that you ask Mr Mellor not to include them in his speech. (We have looked carefully at ways of toning down the final section of his speech, but it is very difficult to find ways of allowing Mr Mellor to refer to specific proposals - however much hedged about by qualifications - without committing the Government to them.) That would still allow Mr Mellor to set out clearly and positively the initiatives the Government is <u>already</u> taking in this field. He could also say that the Government is continuing to look at ways of making further improvements, and would welcome suggestions from both the local authorities and CCETSW on the best way forward. What he should <u>not</u> do at this stage is try and spell out the Government's position on future action before it has been properly discussed and agreed. A draft letter is attached.

D Rayner.

D RAYNER

CONFIDENTIAL

DRAFT LETTER FROM: CHIEF SECRETARY

TO: MINISTER FOR HEALTH

SOCIAL SERVICES TRAINING AND THE CHILD CARE INITIATIVE

Thank you for sending me a copy of your letter of 7 October to John Wakeham.

2. I was surprised to see your new proposals for social worker training so soon after the conclusion of my bilateral discussions with Ken Clarke and the Survey settlement on LA expenditure. I appreciate your desire to develop a coherent strategy in this field, and to improve the Government's contribution to social services training throughout the UK. However your letter introduces a number of new initiatives which we have not yet had the opportunity to discuss in detail with colleagues. I think you will therefore agree that it would be premature to make a detailed statement of the Government's proposals for the future before they have been properly discussed and agreed.

3. I appreciate that you do not propose to mention specific expenditure figures at the Social Services Conference or to CCETSW. Even so, a public statement of your future policy intentions would effectively commit the Government to the associated expenditure. The figures quoted in your letter are moreover considerably higher than the level of new resources for which you bid in the 1988 Survey. Your new proposals - including the precise cost implications - would therefore need to be subject to careful scrutiny and collective discussion before any public statement were made of the Government's intentions.

4. I realise that this means curtailing the draft speaking note attached to your letter, effectively from paragraph 10 onwards; but, in the circumstances, there appears to be little alternative. That would however still allow you to present in a positive light the initiatives the Government is already taking in this field; and it would not prevent you from giving assurances both to the local authorities and to CCETSW that you are committed to looking carefully at the best ways of making further improvements in the

arrangements for social services training (including in those areas where you are yourself keen to make progress), and that you would be happy to consider any further proposals they want to put forward. I hope you will agree that this is the best way of proceeding until we have reached satisfactory collective decisions on these issues.

5. Turning to the child care specific grant, I welcome the progress that has been made, although I feel there are still a number of aspects which need to be looked at carefully. These include the formulation of precise targets and objectives against which the performance of the grant will be measured, and the arrangements for ensuring value for money. Effective central supervision and monitoring arrangements against agreed standards need to be set up before any additional child care support money is provided to the local authorities in order to ensure that this expenditure is not mis-directed. I suggest officials continue their discussions on this alongside the arrangements for the specific grant for training staff helping the elderly, which we will be reviewing in the 1989 Survey. I welcome the fact that the child care grant has been subject to an independent scrutiny, and would be interested to see further details in time to inform our collective discussion in H Committee.

6. I am copying this letter to the Prime Minister, members of H Committee and to Sir Robin Butler.

[JM]

?/7516p

K11

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
Richmond House
79 Whitehall
London
SW1A 2NS
Telephone 01-210 5121

From the Private Secretary to the Minister of State for Social Security and the Disabled

Ms Carys Evans
Private Secretary to
The Chief Secretary to the Treasury
HM Treasury
Parliament Street
London SW1P 3AG

CHIEF SECRETARY
REC. 14 OCT 1988
ACTION Mr McIntyre
COPIES TO CX, Sir P Middleton
Mr Anson, Mr Phillips
Miss Peirson, Mr Turnbull
Mr Bostock, Mr Ramsden, Mr Call

14 October 1988

Dear Carys

OPCS SURVEYS OF DISABILITY:

DRAFT LETTER TO PARLIAMENTARY COLLEAGES

My Minister intends to write to Parliamentary colleagues to ensure that they are properly briefed on the background to the Office of Population Censuses and Surveys' reports on disability, which will be published in the coming months. I attach a draft of this letter. My Minister would be grateful for the Chief Secretary's comments on it as soon as possible, since he hopes to send it as early as possible next week.

Yours
Nick

NICHOLAS BROMLEY

DRAFT LETTER TO PARLIAMENTARY COLLEAGUES

Disabled people - their numbers and circumstances - are likely to receive considerable attention in the forthcoming Parliamentary session because of a series of reports by the Office of Population Censuses and Surveys (OPCS) containing new research information. It may help you to know how the Government intends to approach this.

The first report - on the prevalence of disability among adults - was published in September and another will follow next month [November] on the financial circumstances of disabled adults. A third report will cover disabled adults' use of services and the circumstances of those in homes, hospitals etc, and a further three will provide the same range of information about disabled children as about adults. Publication of all six will be complete by next Summer.

These reports come from research commissioned from OPCS in 1984 to look comprehensively at people of all ages with all types of disability, down to a relatively low threshold of severity. The first report's estimate of 6 million disabled people is determined by this threshold : different figures from earlier surveys using a different threshold do not mean that the prevalence of disability has changed or that the earlier figures were wrong.

The threshold chosen also means that the estimate of 6 million people includes many who would not regard themselves as disabled or in need of special help from services or cash benefits. For example, almost 70% of the 6 million were people aged 60 or over, many of whom consider the relatively minor limitations of hearing, vision or movement recorded by the survey as in fact normal for their age. In all, about a third of the 6 million fall within the 2 lowest of 10 categories of severity. As the first OPCS report itself points out:

"The choice of a relatively low threshold of disability means that it is all the more important to avoid any sweeping conclusions - for instance that all those included in this study are unable to support themselves, or are unable to lead normal lives or are necessarily dependent on services or social security benefits."

We shall consider carefully the implications for benefits and services of this important series of reports. We will use the survey data to help judge how the substantial existing resources are targeted and to see whether there are better ways of providing help to those who need it most. We have said that we will welcome comments on the reports as they are published.

Policy for future benefits for disabled people must reflect the considerable growth in expenditure already under this Government - 80% in real terms since 1979, with a total now standing of about £7 billion per year. And because two-thirds of disabled people are past retirement age, it is worth remembering that over the same period pensioners' incomes have improved by 23%. Our consideration of the survey findings must also acknowledge the considerable changes that occurred last April - after the survey was carried out - which resulted in £70 million extra being spent on income support payments for disabled people.

In the field of services for disabled people, the Department of Health is planning with the local authority associations for the progressive implementation of the remaining sections of the Disabled Persons Act 1986. And the Government has also given planning guide-lines to health authorities which emphasise the need to plan and develop services across the whole range of disabilities. To carry this forward, a Health Notice will shortly be issued, giving models of good practice.

The implications of the unprecedented wealth of information from the OPCS surveys stretch far beyond central government. So we hope that the reports will generate discussion about the best ways of providing help for those disabled people who need it - involving not only central government but also local and health authorities, the professions, voluntary organisations, employers, and everyone else in a position to help. Above all, we hope that the reports will stimulate new impetus and insights to help disabled people overcome the effects of their disabilities and, by being better able to help themselves, to achieve the independence which they most prize.

dti

the department for Enterprise

MP

The Rt. Hon. Tony Newton OBE, MP
Chancellor of the Duchy of Lancaster and
Minister of Trade and Industry

Rt Hon David Mellor MP
Minister for Health
Department of Health
Richmond House
79 Whitehall
LONDON
SW1A 2NS

Department of Trade and Industry
1-19 Victoria Street
London SW1H 0ET
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01-215 7877
Telex 8811074/5 DTHQ G
Fax 01-222 2629

CHIEF SECRETARY
REC. 14 OCT 1988
ACTION Mr Sanders,
COPIES TO CX, Mr Anson,
Mr Phillips, Mrs Case,
Miss Peirson, Mr Turnbull
Mr Griffiths Mr Call

2

Direct line 215 5147
Our ref
Your ref
Date 14 October 1988

Dear David,

SOCIAL SERVICES TRAINING AND THE CHILD CARE TRAINING PROGRAMME

Thank you for sending me a copy of your letter of 7 October to John Wakeham.

I am content with what you propose.

I am copying this letter to the Prime Minister, John Wakeham, members of H Committee, and to Sir Robin Butler.

Yours ever
Tony

TONY NEWTON

TN6AAD

Inland Revenue

Personal Tax Division
Somerset House

FROM: A C JARVIS
14 OCTOBER 1988

1. MR ~~LEWIS~~ seen in draft.

2. PS/FINANCIAL SECRETARY

THE EMPLOYMENT STATUS OF ACTORS AND PERFORMERS
TAX, NATIONAL INSURANCE AND VAT TREATMENT

1. You asked on the 'phone how we would decide who was an "established" performer and whether there would be much difference in the numbers of people affected by the two options set out in my note of 6 October.

"Established" performers"

2. The conditions we laid down in the new instructions issued to tax offices in June 1987 (paragraphs 8 and 9 of my note of 6 October) to be satisfied for actors to be treated as "established" for the purpose of the transitional option (option 2) were:

a. the performer must have been accepted as assessable under Schedule D for the previous 3 years of assessment and have submitted accounts; and

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cc		
	PS/Chancellor of the Exchequer	Mr Painter
	PS/Chief Secretary	Mr Beighton
	PS/Paymaster General	Mr Lewis
	PS/Economic Secretary	Mr Elliot
	Mr Scholar	Mrs Marshall
	Mr Culpin	Mr Fraser
	Mr Gilhooly	Mr O'Brien
	Mr Cropper	Mr Madden
	Mr Ramsden	Mr Carr
	Miss Hay	Miss McFarlane
		Mrs Clark
	Mr Nicholson - Customs	Mr Jarvis
	Mr Fanning - DHSS	PS/IR

b. he or she must have had their first professional engagement before 1 January 1987; and

c. 75 per cent of total income (excluding unemployment benefit) must have arisen from engagements as an actor etc.

3. The first condition - three years of Schedule D assessment - is we feel the minimum requirement for an actor to be regarded realistically as "established". At the time the June 1987 instructions were issued not all actors who had entered the industry before 1 January 1987 would have been able to satisfy this first condition. Now more than 12 months later more will qualify. Those joining just before January 1987 should have notified us by 5 April 1988 of chargeability under Schedule D and estimated assessments will have been issued for 1986/7, 1987/8 and 1988/9.

4. The 1 January 1987 date prevents any extension of people entitled to the transitional rules. For example an actor who enters the industry after that date, engaged under contracts for services (self-employed), could then establish a history of Schedule D treatment to satisfy the first condition. But the cut off date stops him qualifying for the beneficial treatment.

5. The last condition is not as essential as the others and might be omitted. This would make it easier to identify those qualifying for the transitional treatment and help us to prepare, with the industry, a definitive list.

Numbers affected

6. The difference between the options is that the legislative option (option 1) would give all actors, including those who had already accepted Schedule D treatment and all those who set out on their careers after 1 January 1987, Schedule D treatment. The transitional option (option 2)

would only give "established" actors this more beneficial treatment. Those entering the industry since 1 January 1987 would be subject to the normal Schedule E requirements.

7. We have no central information on the numbers of actors who might qualify as established for option 2. We expect a very high percentage of those currently involved in live theatre would be able to get the transitional treatment. This percentage would decrease in the long term as actors retired or left the industry and new people entered who did not qualify.

Tony Jarvis

A C JARVIS

chex.ps/mw/63 **CONFIDENTIAL**

FROM: MISS M P WALLACE
DATE: 17 October 1988

MISS PEIRSON

cc **PS/Chief Secretary**
PS/Paymaster General
Sir P Middleton
Mr Anson
Mr Phillips
Mr Beastall
Mr Culpin
Mr A J C Edwards
Mr Turnbull
Mr Parsonage
Mr Saunders
Mr S N Wood
Mr D Griffiths
Mr Call

NHS AUDIT

The Chancellor has seen and noted your minute of 11 October, for which he was most grateful.

MOIRA WALLACE

SECRETARY OF STATE FOR SCOTLAND

SCOTTISH OFFICE
WHITEHALL. LONDON SW1A 2AU

CHIEF SECRETARY

REC.	18 OCT 1988
ACTION	Mr Saunders
COPIES TO	CX, Mr Anson, Mr Phillips, Mrs Case, Mr Turnbull, Mr Griffiths, Mr Call.

David Mellor Esq QC MP
Minister for Health
Department of Health
Richmond House
79 Whitehall
London
SW1A 2NS

17 October 1988

Dear David,

SOCIAL SERVICES TRAINING AND THE CHILD CARE TRAINING PROGRAMME

Thank you for sending me a copy of your letter to John Wakeham about the programme you intend to introduce for the improvement of social work education and the terms of a statement you propose to make at the Social Services Conference on 21 October.

I envisage that social work education will develop on broadly similar lines in Scotland but there will have to be some differences of emphasis to take account of particular Scottish circumstances. My officials are in touch with yours and also with CCETSW about the details.

I understand that you intend to make clear at the Conference that, while the Government as a whole is committed to the improvement of arrangements for providing social work education, the detailed application of the policy will vary in different parts of the UK. On that basis I am content with your proposals.

I have sent copies of this letter to the Prime Minister, members of H Committee and Sir Robin Butler.

Yours ever,

Mal

MALCOLM RIFKIND

MJD00313.108

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

17 October 1988

Mp.

Dear Jenny

SOCIAL SERVICES TRAINING AND THE CHILD CARE TRAINING PROGRAMME

Thank you for your recent letter. The Prime Minister has also seen Mr Mellor's letter of 7 October to the Lord President.

On child care training, she has commented that the balance of advantage lies with keeping the expert team (referred to in paragraph 6 of the annex to Mr Mellor's paper) very small, limited to the NSPCC and CCETSW. The Prime Minister was pleased to note that Mr Mellor intended to discuss the proposals with Lady Faithfull and hopes that Mr Mellor will continue to keep Lady Faithfull involved with the exercise, using her as an independent sounding board, as the work progresses.

The Prime Minister has also seen the Chief Secretary's letter of 17 October about the wider proposal for social services training. She agrees that it is more important to use existing resources to their fullest effect rather than committing the Government to the additional expenditure to which a public statement of future policy intentions would lead. With that in mind, it would be better if the draft speech adopted a rather more cautious tone in its second half.

A copy of this letter goes to Alison Smith (Lord President's Office), Carys Evans (Chief Secretary's Office) and to Trevor Woolley.

Yours sincerely
Dominic

DOMINIC MORRIS

Miss Jenny Harper,
Department of Health

cst.ps/3jm17.10

CONFIDENTIAL

cc:
Chancellor
Mr Anson
Mr Phillips
Miss Peirson
Mrs Case
Mr Turnbull
Mr A M White
Mr Saunders
Mr D Rayner
Mr Potter
Mr Call

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

David Mellor Esq QC MP
Minister for Health
Department of Health and Social Security
Richmond House
79 Whitehall
London
SW1A 2NS

MP.

17 October 1988

Dear Minister,

SOCIAL SERVICES TRAINING AND THE CHILD CARE INITIATIVE

Thank you for sending me a copy of your letter of 7 October to John Wakeham.

I was a little surprised to see your new proposals for social worker training so soon after the conclusion of my bilateral discussions with Ken Clarke and the Survey settlement on LA expenditure. I appreciate entirely your desire to develop a coherent strategy in this field, and to improve the Government's contribution to social services training throughout the UK. This is clearly very important and I am glad you are addressing it. However your letter introduces a number of new initiatives which we have not yet had the opportunity to discuss in detail with colleagues. I think you will therefore agree that it would be premature to make a detailed statement of the Government's proposals for the future before they have been properly discussed and agreed.

I appreciate that you do not propose to mention specific expenditure figures at the Social Services Conference or to CCETSW. Even so, a public statement of your future policy intentions would effectively commit the Government to the associated expenditure. The figures quoted in your letter are moreover considerably higher than the level of new resources for which you bid in the 1988 Survey. Your new proposals - including the precise cost implications - would therefore need to be subject to careful scrutiny and collective discussion before any public statement were made of the Government's intentions.

I realise that this means curtailing the draft speaking note attached to your letter, effectively from paragraph 10 onwards; but, in the circumstances, there appears to be little alternative.

That would however still allow you to present in a positive light the initiatives the Government is already taking in this field; and it would not prevent you from giving assurances both to the local authorities and to CCETSW that you are committed to looking carefully at the best ways of making further improvements in the arrangements for social services training (including in those areas where you are yourself keen to make progress), and that you would be happy to consider any further proposals they want to put forward. I hope you will agree that this is the best way of proceeding until we have reached satisfactory collective decisions on these issues.

Turning to the child care specific grant, I welcome the progress that has been made, although I feel there are still a number of aspects which need to be looked at carefully. These include the formulation of precise targets and objectives against which the performance of the grant will be measured, and the arrangements for ensuring value for money. Effective central supervision and monitoring arrangements against agreed standards need to be set up before any additional child care support money is provided to the local authorities in order to ensure that this expenditure is not mis-directed. I suggest officials continue their discussions on this alongside the arrangements for the specific grant for training staff helping the elderly, which we will be reviewing in the 1989 Survey. I welcome the fact that the child care grant has been subject to an independent scrutiny, and would be interested to see further details in time to inform our collective discussion in H Committee.

I am copying this letter to the Prime Minister, members of H Committee and to Sir Robin Butler.

Yours sincerely,

P. Waller

pp JOHN MAJOR

[Approved by the Chief Secretary and signed in his absence.]

MP

FROM: J P MCINTYRE
DATE: 17 October 1988

CHIEF SECRETARY

cc PS/Chancellor
Mr Anson
Mr Phillips
Miss Peirson
Mr Turnbull
Mr Ramsden
Mr Call

DISABILITY BENEFITS: OPCS SURVEYS

Mr Scott's private secretary wrote on 14 October enclosing a draft letter which the Minister would like to send to Parliamentary colleagues this week. This is to ensure that colleagues are properly briefed on the background to the OPCS' reports, and it follows the suggestion in your letter of 5 September to this effect. Mr Scott's office would like a response as soon as possible.

2. The draft follows fairly closely the press statement issued at the end of last month, on publication of the first OPCS volume on the prevalence of disability. It puts the six million figure in the context of the low threshold chosen for the survey, and draws attention to the large number of elderly people falling within the criteria adopted. On expenditure, I think the draft strikes the right note in saying that the reports will be used "to help judge how the substantial existing resources are targetted and to see whether there are better ways of providing help to those who need it most". There is therefore no promise or hint of additional resources. And I doubt whether it would be sensible at this stage to suggest that savings measures were in the offing.

3. There is just one point you might like to offer to Mr Scott by way of comment. On page two of the draft letter, he rehearses one of our favourite lines, namely that expenditure on disability benefits under this government has risen by 80 per cent in real terms since 1979. As you know, about three quarters of this increase has come about because of increased take-up, with the

remaining increase due to a higher level of average payments. This point was picked up in Friday's Guardian by Melanie Phillips and will no doubt be well known to Members who take a close interest in the disabled. It may be as well therefore to spell this point out - it is actually a helpful point in that it shows that far from all of the increase has been due to higher take-up.

4. Volume 2 of the OPCS reports, on the financial circumstances of the disabled, is to be published next month - probably in the second half of the month, after the Autumn Statement. The reply to Mr Scott's office might remind DSS to consult us about the content of any press statement or briefing for publication day.

5. I attach a draft private secretary letter, which also picks up a couple of small drafting points.

JPM

J P MCINTYRE

DRAFT LETTER TO:

Nicholas Bromley Esq
PS/Minister of State for Social Security and the Disabled
Richmond House
79 Whitehall
LONDON SW1A 2NS

DISABILITY BENEFITS: OPCS SURVEYS

Thank you for your letter of 14 October enclosing a draft letter which your Minister would like to send to Parliamentary Colleagues.

2. The Chief Secretary is broadly content with the draft. But on page two, there is a reference to the 80 per cent real terms increase in expenditure on disability benefits since 1979. The Chief Secretary thinks it might be helpful to point out that around ¾ of this increase has been due to higher take-up and the remaining ¼ to an increase in average payments of benefit. This is fairly well known and has been picked up in the press again recently. It may be of some help to the government's case in drawing attention to the fact that far from all of the increase has been due to higher take-up.

3. There are two small drafting points in the same paragraph. In the second sentence, the letter might make it clear that the 23 per cent increase in pensioners' incomes since 1979 is the average figure in real terms. And in the final sentence, the extra expenditure on income support is presumably being incurred "per year".

4. I understand that Volume 2 of the OPCS reports, on the financial circumstances of the disabled, is to be published next month. The Chief Secretary hopes that Treasury officials can continue to be kept in touch on any press statements and briefing which your Department is preparing for publication day.

JOHN MAJOR

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 01-210 3000

From the Secretary of State for Social ~~*Services*~~ Security

MP

Dominic Morris Esq
Private Secretary
10 Downing Street
LONDON
SW1A

CHIEF SECRETARY
REC. -8 NOV 1988
Mr McIntyre
TO Cx, Sir P Middleton
Mr Anson, Mr Phillips
Miss Peirson, Mr Turnbull,
Mr Bush, Mr Ramsden,
Mr Call.

17 October 1988

Dear Dominic

OPCS SURVEY OF DISABILITY

Thank you for your letter of 6 October conveying to Ministers in all Departments the Prime Minister's wishes on the commissioning of public statistics and reports. Her comments arose from concerns about the OPCS survey of disability but in your preceeding telephone call you confirmed that the Prime Minister recognised that responsibility for such difficulties did not lie with my Secretary of State. I can assure you that my Secretary of State does ensure that research is commissioned with proper caution and that - as with the disability survey - other Departments are consulted where necessary.

You also expressed interest in the remaining reports in that series. There will be five more reports as follows:

financial circumstances of disabled adults in private households;

prevalence of disability among children;

disabled adults' use of services, including institutional care;

financial circumstance of families of disabled children; and

disabled childrens' use of services, including institutional care.

The first report in this list will be published next month and the remainder between February and July next year. OPCS divided up the survey results in this way because of their volume and

E.R.

diversity. There is also the important presentational consideration that this will permit the publication of results as soon as they become available and are written up, thereby helping us to rebut the persistent but unfounded allegation by Alf Morris and others that the Government is delaying publication to suit its own purposes.

We, and now also the Department of Health, are considering carefully with OPCS how the results should be presented and interpreted in each report. OPCS rightly and jealously regard their reputation for high quality social research. But on the first report for example were able to secure important changes in the presentation of the threshold of disability chosen for the survey and of the significance of the resulting statistics.

The next report - on financial circumstances of disabled adults - paints a complex picture. The main findings are that the majority of disabled people, even those below pension age (for whom the proportion is 70%), are non-earners and that they have low incomes. But those receiving the benefits paid on account of attendance or mobility needs are better off than others wholly dependant on benefits. The attendance and mobility allowances are shown to be fairly well targeted on the main areas of extra costs incurred by disabled people but the actual extra costs are generally far lower than the current level of these benefits. There are also strong signs that many people eligible for these benefits are not receiving them.

When this report and subsequent ones are published, Social Security Ministers will use every opportunity to emphasise the positive findings and the Government's record in this field. For example, as an adjunct to the next OPCS report next month we shall also be publishing market research results which give good news on the spread of long-term occupational sick pay.

Yours,

Stuart Lord.

J S LORD
Principal Private Secretary

CHIEF SECRETARY TO THE TREASURY

From: P.T. Wanless
Date: 18 October 1988

MISS WALLACE

PES 1988: SOCIAL SECURITY MEETING - 18 OCTOBER.

I attach papers relevant to this afternoon's meeting:

A - brief for Chancellor and CST;
B - brief for Prime Minister;
C - brief for Mr Parkinson; and

a transcript of this morning's child benefit item on the 'Today' programme.

P. Wanless.

p.746 CONFIDENTIAL cc Chancellor

FROM: J P MCINTYRE
DATE: 17 October 1988

CHIEF SECRETARY

cc Mr Anson
Mr Phillips
Miss Peirson
Mr Turnbull
Mr MacAuslan
Mr Ramsden
Mr Call

SURVEY: SOCIAL SECURITY

I attach a brief for your meeting tomorrow on the lines requested.

JM

J P MCINTYRE

A. OUTSTANDING ISSUES

	£ million		
	1989-90	1990-91	1991-92
DSS proposes:			
Full uprating of child benefit	44	44	44
Unfreezing overseas pensions	10	29	48
2. Community charge compensation	29	30	30
	83	103	122
Treasury proposes:			
Freeze of child benefit	-153	-153	-153
3. Disability benefits	-50	-100	-150
	-203	-253	-303
MEMORANDUM:			
(UB cut to 6 months:	-	-135	-175
(Extra training (estimate):	-	+15	+15

B. EFFECT ON PROGRAMME OF TREASURY PROPOSALS

	1989-90	1990-91	1991-92
Baseline	50,889	53,347	54,681
DSS bid			
Benefits	3	1204	3123
Admin	184	254	211
Total Bid	187	1458	3334
HMT proposed reductions on bid			
Child benefit	-197	-197	-197
Overseas pensions	-10	-29	-48
Treasury settlement*:	-20	1232	3089

* Assumes disability options dropped and community charge compensation agreed in full. Leaves only HB transitional scheme to be settled bilaterally - Mr Moore due to write. Takes no account of 2nd round of revised economic assumptions (lower unemployment and higher inflation) to be discussed at Chancellor's meeting on Wednesday, of which DSS unaware. Effect likely to reduce Year 1 by around £200m, leave Year 2 roughly unchanged and Year 3 up by perhaps £150m.

C. **CASE FOR MORE SAVINGS DESPITE LOW BID IN YEAR 1**

a. Unemployment has fallen 600,000 since last PEWP. Saves £1,300 million a year. But estimating and policy bids, plus administration, will wipe out most of these savings.

b. Estimating and policy bids substantial: 998/1710/2767. Reasonable to seek larger offsets than DSS have so far offered.

c. Even after CB freeze, programme set to rise by roughly 2½ per cent on average in real terms over Survey period.

d. Still strong upward pressures on programme - eg disability, poorer pensioners (in next Survey).

D. **BULL POINTS FOR UPRATING STATEMENT**

i. Over 90 per cent of programme uprated fully in line with inflation, including benefits for poorest: IS, FC, HB.

ii. CB freeze saves £275m gross but £80m of this diverted to extra income-related benefits. 25 per cent of children in families which will suffer no loss. eg couple with 2 young children on gross earnings of up to £146 a week would suffer no loss.

iii. Unemployment down 600,000 since last PEWP. Saves £1,300 million. Could have meant big reduction in programme, even after allowing for higher inflation. Instead, programme broadly unchanged.

E. **ISSUES OTHER THAN CHILD BENEFIT: KEY POINTS**

a. Overseas Pensions. Resist. Gross cost rises to £175m (at current pension rates) in 15-20 years. Would therefore wipe out savings from CB freeze in long term.

b. Community charge compensation. Accept provided Mr Moore gets Mr Ridley to announce new estimate of next year's average charge and revised (higher) estimate of this year's. Otherwise, critics will compare next year's £1.05 with estimate already published for this year - 95p - and point to apparent 10½% increase. This would undermine E(LF) decision on once-for-all compensation, uprated in line with inflation.

c. Disability. Drop options. Note estimating bids of 606/1362/2494. But for next Survey.

F. **POSSIBLE SWEETENERS**

i. Cut FC taper from 70 per cent to 65 per cent. Cost £40-50m. Would re-focus attention on tapers - 1/4 to 1/3 of gainers would have most of gains wiped out by 85 per cent HB tapers.

ii. Increase FC premia. £1 increase in all child credits would cost £55m. Same taper problem as for (i).

iii. Increase IS family premium. Over 1m gainers. Cost: over £50m on IS, plus knock-on to HB. So expensive.

P.T.O

G. DEFENSIVE POINT ON CB FREEZE

FC take-up well below expectations

Partly due to buoyant earnings and tax cuts (which float people off FC). 1989-90 bid is still for higher expenditure than in last PEWP (446 versus 428) because average payments of FC have been higher than expected, offsetting lower caseload. Note that £3m spent on TV/press advertising of FC, plus leaflets. So government can't be accused of not promoting take-up.

cst.ps/1ce18.19

CONFIDENTIAL

NP

cc:
PS/Chancellor
Mr Anson
Mr Phillips
Miss Peirson
Mr McIntyre
Mr Turnbull
Mr Ramsden
Mr Call

CHIEF SECRETARY TO THE TREASURY

Treasury Chambers, Parliament Street, SW1P 3AG

Nicholas Bromley Esq
Private Secretary to the
Minister of State for Social Security and the Disabled
Department of Social Security
Richmond House
79 Whitehall
London
SW1A 2NS

18 October 1988

Dear Nicholas

DISABILITY BENEFITS; OPCS SURVEYS

Thank you for your letter of 14 October enclosing a draft letter which your Minister would like to send to Parliamentary colleagues.

The Chief Secretary is content with the draft subject to the following points. On page two, there is a reference to the 80 per cent real terms increase in expenditure on disability benefits since 1979. The Chief Secretary thinks it might be helpful to point out that around 3/4 of this increase has been due to higher take-up, and the remaining ¼ to an increase in average payments of benefit. This is fairly well known and has been picked up in the press again recently. It may be of some help to the Government's case in drawing attention to the fact that far from all of the increase has been due to higher take-up.

There are two small drafting points in the same paragraph. In the second sentence, the letter might make it clear that the 23 per cent increase in pensioners' incomes since 1979 is the average figure in real terms. And in the final sentence, the extra expenditure on income support is presumably being incurred "per year".

I understand that Volume 2 of the OPCS reports, on the financial circumstances of the disabled, is to be published next month. The Chief Secretary hopes that Treasury officials can continue to be kept in touch on any press statements and briefing which your Department is preparing for publication day.

Yours ever

Carys

MISS C EVANS
Private Secretary

SECRETARY OF STATE FOR EDUCATION AND SCIENCE

ELIZABETH HOUSE
YORK ROAD
LONDON SE1 7PH
01-934 9000

18 OCT 1988

CHIEF SECRETARY

REC.	19 OCT 1988
ACTION	Mr Sanders
COPIES TO	CX Mr Anson,
2	Mr Phillips, Mrs Case
	Mr Turnbull, Mr Griffiths
	Mr Call

David Mellor Esq QC MP
Minister for Health
Department of Health
Richmond House
79 Whitehall
LONDON SW1A 2NS

Dear David,

SOCIAL SERVICES TRAINING AND THE CHILD CARE TRAINING PROGRAMME

Thank you for sending me a copy of your letter of 7 October 1988 to John Wakeham.

For my part I am content for you to make your proposed statement at the Social Services conference on 21 October, provided that it is understood that you are prepared to bid for and, if necessary, to find any additional resources which institutions for which I am responsible might require to participate in the proposed in-service programme. I could not undertake to find them myself.

Indeed, I believe that we should be considering the adoption of a fee regime for your proposed programme comparable to that which now applies to courses of in-service training for teachers, whereby courses lasting less than one year full-time or their part-time equivalent are charged for at full-cost. I should be grateful if this could be discussed between officials of our two Departments.

I am copying this letter to the Prime Minister, members of H Committee and Sir Robin Butler.

Yours ever

Kenneth

PMP

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB
01-212 3434
My ref:
Your ref:

David Mellor Esq QC MP
Minister for Health
Richmond House
79 Whitehall
LONDON
SW1

CHIEF SECRETARY
REC. 19 OCT 1988
ACTION Mr Saunders
COPIES TO CST Mr Anson, Mr Phillips, Mrs Case, Mr Turnbull, Mr Griffiths, Mr Call

18 October 1988

Dear Minister

Thank you for copying to me your letter of 7 October to the Lord President about social services training and the child care training programme.

My only concern is with the implications which your proposals might have for the workload and manpower of local authorities. I note that you are not seeking any firm commitment to additional expenditure at this stage and that you intend there to be wide ranging consultations before determining what extra resources can be made available. I shall be interested to know what comments you receive about the resource implications and we shall then have to consider whether the new burdens procedure will need to be involved.

I am copying this letter to the Prime Minister, members of H Committee and Sir Robin Butler.

Yours sincerely

pp

NICHOLAS RIDLEY

(Approved by the Secretary of State
and Signed in his Absence)

100% RECYCLED PAPER

MF29(A4)

DHSS

Department of Health and Social Security
Arndale House Arndale Walk Wandsworth SW18 4BU

Telephone 870-1451

EXT 250

Your reference

Mr C G Duckworth
71 Exeter House
Putney Heath
LONDON
SW15 5TQ

COPY

Our reference

Date

12 October 1988

18 OCT 1988

Dear Sir

Your letter of 23 September 1988 has been passed to me for attention.

The law relating to Retirement Pension requires that where a contributor is self-employed, a minimum of 52 contributions (53 in appropriate years) must be recorded in any year in order that it may be reckonable. Where a contributor has some contributions recorded in any year but insufficient to qualify for a reckonable year, the contributor is advised accordingly and invited to remit the necessary sum in order to make the relevant year reckonable for benefit purposes. Hence the computer produced letter of 3 June 1988.

I refer to the Department's letter of 30 August 1988 which explained how the discrepancy of these two weeks arose. This was an error, and I repeat the apology on behalf of the Department contained in the letter. I have to refute the suggestion contained in your letter that any officer acted with fraudulent or mischievous interest. It would be inconsistent for any officer to act in this way, and having examined all the documents I am satisfied that the error was a genuine mistake.

I can confirm that the 1986/87 year will now be reckonable for pension purposes. I note that you have written to the Private Secretary to your Member of Parliament and I shall be pleased to answer any questions which may arise.

Yours faithfully

P A Edwards
Assistant Manager
(Compliance)

cst.ps/23jm18.10

CONFIDENTIAL

pmp

FROM: CHIEF SECRETARY
DATE: 18 October 1988

PRIME MINISTER

SOCIAL SECURITY

Further to our conversation this evening, I thought it might be helpful if I were to outline the kind of scheme we could consider. It is essentially the scheme which Nick Scott put forward earlier this year in his minute to you of 8 June.

behind

2 The aim would be to direct additional resources to pensioners who are over 80 or disabled and who are dependent on the basic benefits. There are over 1 million pensioners in these categories receiving income support and/or housing benefit. Under the scheme, we would increase the income support premia for people in these groups by an extra £2 for single pensioners and £3 for couples. These amounts would be in addition to the normal uprating of their income support to reflect inflation. Thus the total increases we would announce (to take effect next April) would be over £4 a week for single claimants and over £6 a week for couples.

3 DSS have costed these proposal at around £75 million in the first year, rising to about £85 million in the second. I understand the changes could be achieved by regulations.

4 In other circumstances, I might have preferred to delay an initiative to help poorer pensioners until the next Survey, with implementation in April 1990. And there are some disadvantages in moving now on these particular proposals. First, the scheme would not help those non-disabled pensioners <u>under</u> 80 who have retired with little SERPS or occupational pension entitlement. There are 1¼ million in this group on income support, and a further 2¼ million on housing benefit. Second, announcing extra help for

the disabled now rather anticipates one of the options we would have considered next year in responding to the OPCS Survey. So if we go ahead with the scheme, we must extract maximum credit for it.

5 However, despite these drawbacks, the scheme has considerable attractions and would help to show that our policy of targetting benefits on those in need is actually a very positive one.

6 I believe in all the circumstances we could now proceed with this scheme immediately and refine it next year.

7 I am copying this minute to the Chancellor.

Carys Evans

JOHN MAJOR

(Approved by the Chief Secretary and signed in his absence)

cst.ps/9ce19.10

CONFIDENTIAL

FROM: MISS C EVANS
DATE: 19 October 1988

MR A C S ALLAN

cc: Mr Anson
Mr Turnbull Miss Peirson
Mr McIntyre

SOCIAL SECURITY: DEAL

This is to confirm that the Chief Secretary has spoken to Mr Moore and confirmed the attached deal. The total cost is £74 million, £13 million less than the £87 million we expected this morning.

2 The Chief Secretary has agreed that the increase in Family Credit/IS should be 50p in order to decouple it from the Child Benefit freeze. He is anxious that we do everything possible to present this as an exceptional, one off measure.

3 The Chief Secretary took the opportunity of pressing Mr Moore to produce his proposals for NICs. He undertook to pursue urgently.

4 The Chief Secretary is most grateful for Mr McIntyre's excellent and very fast work on all this.

Carys Evans

MISS C EVANS
Private Secretary

Thanks. Re para 2, Mr Moore would, of course, be bound to link the two things in his presentation. Thus the further [illegible] the 50p is one-off; the CB freeze will also be presented as one-off. So the presentation – tricky whichever way you slice it – will need careful thought.

CONFIDENTIAL

SOCIAL SECURITY: DEAL

		£ million	
	1989-90	1990-91	1991-92
IS/FC: extra 50p	70	70	70
Residential Care	5	5	5
? RPI Error (minute behind)	10.5	11.0	11.0
Exceptionally Cold Weather	6.5	6.5	6.5
Uprate FC adult credit by ROSSI not RPI	-11.0	-13.0	-13.0
	81	79.5	79.5

MEMORANDUM

? Child benefit savings	-5	-5	-5
HB transitional scheme*	-2	?	?

* not agreed with Secretary of State yet.

octst1.16

FROM: J C J RAMSDEN
DATE: 19 October 1988

JMc
19/10.

1. MR MCINTYRE

2. CHIEF SECRETARY

cc Chancellor
Paymaster General
Sir P Middleton
Mr Anson
Mr Phillips
Miss Peirson
Mr Turnbull
Mr Luce
Mr Burr
Mr Dixon
Mr MacAuslan
Mr Sheridan
Mr Ryding
Mr Call

THE APRIL 1989 UPRATING AND THE RPI ERROR

As you know Mr Moore has changed his mind about how to deal with the RPI error in next year's uprating of social Security benefits. My submission of 14 October explained the "three stage" approach proposed in Mr Moore's letter of 11 October. The Chancellor commented that he was very concerned at the presentational complexity of Mr Moore's approach (Mr Allan's minute of 17 October).

2. Mr Moore's new proposals are very close to the Chancellor's suggested approach and will certainly be much simpler to present. They do involve some additional expenditure, but this has been taken account of in the final settlement you have now reached in the Survey. This submission explains the new approach.

<u>National Insurance and other non-means tested benefits</u>

4.. The new proposal is to uprate the actual 1988 benefit rates by the published RPI figure (5.9%). The RPI figure for September 1987 was less than it should have been and the figure for September 1988 is correct, so an uprating by 5.9% would compensate for the RPI error. What it does not do is give <u>exactly</u> the same result as if the RPI error had not occurred, because the effect of rounding to the nearest 5p would have affected each benefit rate differently in 1987 and 1988.

5. Mr Moore had based his earlier proposals (the "three stage method" explained in my submission of 14 October) on the assumption that the gap between the published and the corrected RPI would work out at 0.1%. Unexpectedly the gap is 0.2% and this, coupled with the complexity of his proposals, has caused him to think again. His "three stage" method, though logically correct, does now give a lower result for some benefits than the use of the published RPI. For example the married woman's pension would have been 5p lower under the "three stage" approach than under the new proposals. A number of allowances to the war pension would have been lower by 5p or even 10p.

6. Most benefit rates are the same whichever method is used. Where there is a difference, the new method tends to produce a result 5p higher. But there are a few benefits, notably the child dependency increase to IVB, widows' benefit etc., which will be 5p <u>lower</u>, due to a quirk of rounding. In order to fulfill the Government's pledge Mr Moore will have to put an extra 5p onto these benefits at a cost of £2m.

7. To sum up, on the non-means tested benefits Mr Moore is proposing a much simpler, presentationally better method, but there will be a small extra cost.

<u>**Means tested benefits**</u>

8.. Mr Moore's new proposals for the means tested benefits are:

a. uprate by <u>published</u> Rossi (4.7%)

b. add 5p to each of the premiums (eg family premium, child premium etc).

The rationale for (b) is to preserve fairness with the non-means tested benefits. For the latter, as explained in para 3 above, Mr Moore will add 5p wherever his new method is less generous than the strictly accurate "three stage" approach. But in the case of the means-tested benefits the "three-stage" approach cannot apply because the Government claims that the rates introduced in

April 1988 were freshly calculated and not the result of an uprating process. So the addition of 5p to the premiums is a rough and ready way of making doubly sure that claimants are compensated for the RPI error, whatever anomalous effects may be produced by rounding to the nearest 5p.

9. A further guarantee of fairness is that Mr Moore's new method for the means tested benefits costs £5.5m more than his original approach .

Conclusion

10. Mr Moore's new proposals are broadly in line with what the Chancellor has suggested, subject only to the need to add 5p to certain benefits to fulfill the Government's pledge completely. Using the published rate of RPI is simple and defensible. Even so people will no doubt ask why the Government has not added something to the actual 1988 rates before uprating and it may not be obvious to the less numerate that the latest RPI figure includes an element for the RPI error. The relevant passage in the uprating statement will therefore need to be clear and carefully drafted, as will the background briefing. We will press the DSS to let us see drafts as soon as possible.

JCJ Ramsden

JCJ RAMSDEN

BF ~~[illegible]~~ 21/10

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 01-210 3000

From the Minister for Health

CONFIDENTIAL

CHIEF SECRETARY	
REC.	19 OCT 1988
ACTION	Mr Saunders
COPIES TO	CX, Mr Anson,
	Mr Phillips, Mrs Case
	Mr Turnbull, Mr Griffiths
	Mr Call

Rt Hon John Major MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON
SW1P 3AG

19 OCT 1988

Dear Chief Secretary

SOCIAL SERVICES TRAINING AND THE CHILD CARE INITIATIVE

I am grateful to you and other colleagues for the speedy responses to my letter of 7 October to John Wakeham.

I remain convinced that my speech to the Social Services Conference later this week will be the right occasion to make clearer the Government's position on training. Recent news provides a further reason for doing this. It is CCETSW's intention to publish a new consultation paper in November on qualifying and post-qualifying training for social workers. It becomes all the more important that I give the necessary steer to the Council's Chairman and Director and to this Friday's audience, the local authority employers, before this paper is published.

You express surprise at what you described as my new proposals. While the timing of a public statement is new, Tony Newton's letter of 5 April had earlier made it clear that he wanted to set out plans for a coherent strategy on training once CCETSW's three year qualifying proposals for social workers had been put to one side.

There is no doubt that the initiatives we have already announced are valuable and can indeed be presented in a positive light. Post-qualification study remains the one area requiring a further nudge to ensure it is seen as part of the balanced programme we need to encourage. My speech will provide the occasion for opening up consultation on this work and evidence that we in Government intend to take a firm grip on its development and direction.

F.R.

I am glad that my officials working with yours have been able to produce a new version of the draft speaking note from paragraph 10 onwards. I think this gives just enough direction to encourage thinking among local authority employers without amounting to the announcement of a firm policy intention from Government with the associated expenditure implications. I hope I may assume your agreement and that of colleagues to the use of the attached re-drafted material, this coming Friday.

Beyond that I will set in motion the necessary collective discussion of the details of the design for a coherent strategy along with the cost implications. I can confirm also that officials will continue discussions on the monitoring and review arrangements for both of our specific grants in the training field.

I am copying this letter to the Prime Minister, the Lord President, Members of H Committee and Sir Robin Butler.

Yours sincerely

Jenny Harper

DAVID MELLOR

(Agreed by the Minister and signed in his absence)

KW/DNo.15

DRAFT SPEECH

1. I know that our decision not to fund a third year of qualifying training for social workers, as CCETSW had proposed caused considerable concern. Indeed many of you protested at that decision. But the Government does recognise the need for improvements in social services training - I emphasise social services because the needs go wider than social work. For that reason we will be looking for a 'balanced programme' of developments for all staff working in social services departments.

2. While much of what I have to say applies to England particularly, there are broadly parallel developments proposed for other parts of the United Kingdom where the priorities and pace of developments will have to take account of the different circumstances that apply.

3. We have already announced our priorities for improving existing qualifying training. These are improvements in the quality and quantity of practice placements and the phasing out of one year post graduate courses so that all social workers will have a minimum of 2 years of qualifying training.

4. We have introduced a training support programme in England for staff working with elderly people. That got off to an excellent start and Social Services Departments are to be congratulated on the speed of their response and on the size of the programmes that they are mounting. Over 70,000 staff should be trained this year under the programme. I am pleased to announce that it is to continue during 1989-90 at the same level of £10m expenditure plus inflation (£10.4m). Next year, with the passage of the Health and Medicines Bill it will be possible to extend the programme to all staff working with the elderly, not just those in residential and domiciliary care.

5. That Bill also enables us to introduce a similar programme for staff working in the child care field as was announced by Tony Newton last July. The early focus of the grant will be on staff working with children who have, or may have been abused. All staff working with children will be eligible whether they are field social workers, residential care staff, or day nursery staff.

6. Since many of these staff, other than field social workers, will have received little or no training in child care before, it will be necessary to ensure that they do so in order to provide a firm basis of knowledge about child development, family dynamics and the legal framework before they receive any extra training in handling child sexual abuse. Basic training in child care will therefore qualify for assistance under the programme.

7. We are concerned that the in service training courses to be provided in handling child sexual abuse under the grant should be of a high and consistent standard and that they should take account of the lessons learned from Cleveland. We will therefore arrange for a team of experts to develop criteria and standards for these courses and advise on available training material. They will then arrange workshops throughout England to promulgate those standards. All authorities who wish to arrange in service courses under the grant will need to send their course organiser, or a nominated Senior Officer, to these workshops and, thereafter to adopt the standards and criteria laid down.

8. Both grants can be used to build up the training infrastructure in your authorities by employing training organisers, practice placement supervisors, and support staff.

9. Both grants will enable a wide range of training to be given to the staff who are already providing services and on whom those services will depend well into the next century. And they can be used to improve the management and supervision of those staff. Those are areas which we feel deserve high priority if staff are to receive the support they need and deserve. And if the considerable resources deployed in social services are to be used to the best effect.

10. In Wales steps have also been taken, by means of an Elderly Initiative Grant scheme to increase local training opportunities for staff working with the elderly. Discussions are also taking place with the local authority associations concerning the continuation in the Principality of a small grant scheme introduced in 1988/89 to support additional training for staff dealing with cases of child abuse.

11. These measures, taken together should:-

- improve qualifying training and the practical experience obtained
- provide in service training for all staff working with elderly people and with children
- and post qualification specialist training in those areas
- improve management and supervision
- and strengthen the infrastructure for social services training.

12. But these intitiatives need now to be knitted together into a coherent strategy for meeting social services training needs into the next century.

13. The National Vocational Qualification arrangements currently being developed by the Care Sector Consortium will provide a proper framework for determining the skills and necessary training required for the majority of social services staff. This is an important and exciting development and one to which we are giving support.

14. For the professionally qualified staff we need to identify the skills which will be needed to meet the challenges of social services provision into the next century. You are familiar with the pressures at work; arising from demography, the development of community care policies and the spread of AIDS to name but three. We need to be sure that we have a professional workforce which is equipped to meet them. Training is an essential part of that preparation.

15. Many of you have argued strongly the case for more training for these staff to fit them for the complex tasks they will undertake. CCETSW proposed an extra year of qualifying training for all plus further training later. As you know the Government did not feel able to support that.

16. We have responded to the CCETSW's proposals in a way which we believe will improve the standard of qualifying training generally. Our other initiatives, the training support programmes in the fields of child care and services to the elderly, will help to bridge some of the gaps which have already been identified.

17. In taking training developments forward we need to deal with the gaps that remain if we are to improve the effectiveness of our current workforce. We need to ensure that specialist training requirements are met properly and that supervisors and managers get the right training at the right time. We need to be clear that the professional workforce are keeping up to date with the changing demands being placed on them.

18. It is important that post qualification training is provided in a way which is attractive to staff and employers alike, maintains high professional standards and gives the best value for money. One possibility might be for staff to undertake modular training leading to an award at the post qualifying level. And employers need to be sure that training is meeting their needs and is giving them good value for money. There is little point in providing courses which are not relevant or are too long to enable busy front line staff to be released. Nor of course is it reasonable to expect such staff to undertake training without being relieved of the every day demands of the job. The right balance needs to be struck.

19. These are matters which I want the Social Services Inspectorate to discuss with training bodies, employers and professional bodies. I shall start that process myself when I meet the Chairman and Director of the Central Council for Education and Training in Social Work next week for our first Annual Review Meeting with the Council. Thereafter I hope that your associations and professional organisations would discuss with the Inspectorate and CCETSW what your needs are and how they could best be met from training of this kind.

20. Those discussions should also cover whether the best use is made of existing spending in this area. Only then can we assess whether, or to what extent, additional investment may be needed.

21. I hope that what I have said convinces you that Government is anxious to see improvements in social services training and wishes to develop a coherent strategy and that I have shown a way forward which together we can pursue.

RS43FST.42

FROM: FINANCIAL SECRETARY

DATE: 19 OCTOBER 1988

CHANCELLOR 2 Chy

Agree with FSTs conclusion in favour of a 'gradualistic' approach? (Or a word at Friday prayers, first?)

AF 19/10

Agree.

cc Chief Secretary
Paymaster General
Economic Secretary
Mr Scholar
Mr Culpin
Mr Gilhooly
Miss Hay
Mr Ramsden
Mrs Chaplin

Mr Jarvis - IR
PS/IR

THE EMPLOYMENT STATUS OF ACTORS AND PERFORMERS
TAX, NATIONAL INSURANCE AND VAT TREATMENT

I have held a meeting to discuss Mr Jarvis' minute of 6 October.

This is a very difficult issue, like all cases which impact on the Schedule D/E border. And it is complicated by the fact that the Revenue have not been implementing their own policy. However, it would in my view be wrong to get out of the mess by legislating so that actors and other theatrical performers all have self-employed status. I agree that the second option in Mr Jarvis' minute would, in practice, be tantamount to the same thing, since 90% or so of people would be covered by the very generous transitional arrangements. But I do not see that actors have any greater case than other occupations (such as draughtsmen) for a legislative solution to the Schedule D/E question, even if it were merely to enshrine the status quo. Combined with their treatment by DSS for NICs and benefits as employees, they would have the best of all worlds.

The choice to my mind is more between the gradualistic approach favoured by the Revenue in their Option 2, which implements, with a few improvements, their original policy; and one only alluded to very briefly in Mr Jarvis' minute, which is to treat the standard equity contract as Schedule E from now on, with <u>no</u> transitional relief for those currently taxed (wrongly) under

Schedule D. This "big bang" solution, which was favoured by Peter Cropper, would not prevent some people from being taxed in the future under a mix of Schedule D and E if circumstances so warranted; the difference from the present position would be that the Schedule D assessments would all be for genuine cases of self-employment, rather than for casual labour which has historically been treated as such.

The arguments for this clear cut solution are that it puts the Revenue's practice onto the same basis as the law as interpreted by the Courts in 1972, and obviates the need for two schemes running side by side for a long time. Two schemes would cause employers tremendous administrative, pay and managerial problems, since different people in similar circumstances (established and new performers) would be taxed quite differently, particularly in respect of the deductibility of expenses. There is evidence of friction within the industry when the Revenue tried to introduce the gradualistic system in 1981, and for precisely this reason.

The obvious argument against moving straight to Schedule E is that it would cause a huge row with the profession. It would also lead to cries of bad faith against the Revenue following the assurances given by previous Chairmen of the Board in 1978 and 1984 that the difficulties of the profession would be handled "sympathetically". I have asked to see copies of these assurances (attached) in order to find out how bound we are. I do not believe that they are decisive, since Lord Goodman (who represented the profession) was asked on both occasions to put forward alternative and better proposals, and in the event did not do so. But I am sure that the profession would not look upon it in that way.

The choice between these two options is a fine judgement. On balance, I favour the gradualistic approach. It is not without its problems; but the industry must be expecting it, and are not in a strong position because of the Court Judgement and their treatment for NIC purposes.

NL.

NORMAN LAMONT

MEETING IN THE BOARD ROOM SOMERSET HOUSE 11.00am 26 JUNE 1978

Present:-

Lord Goodman	
Mr Doran	Royal Opera House
Mr Field	The Arts Council
Mr Plouviez	Equity
Sir William Pile	
Mr Adams)	Inland Revenue
Mr Hoadley)	

Lord Goodman, who arrived before the other members of his party, made a plea separately that no immediate action should be taken by the Revenue which would affect the current financial position of Equity members. This was a particularly difficult time for the administrators of the principal Arts establishments. The Chairman assured him that there was no intention to take any precipitant action.

In full meeting general concern was expressed about the possible consequences if the Revenue were to put their stated policies into effect. Assurances were again given that the Revenue would do whatever they could to deal sympathetically with the acknowledged difficulties of the profession; this had been so in the past as was demonstrated by the absence of any drastic change in policy following the decision in Fall v Hitchen in 1972. It was agreed that the principal problems under Schedule E arose in the field of expenses and in particular in relation to travelling. The Chairman emphasised that it was not possible to consider any relaxation of Schedule E rules on travelling between home and place of business in view of the wide ranging consequences such a move would have.

Lord Goodman said that what he was asking for was a breathing space on behalf of those present. If this were granted he would see that proposals were put to the Revenue by the end of the current year. The Chairman replied that he was agreeable to this suggestion. He asked, however, that three points should be borne in mind in framing the proposals. He thought that a possible change in the legislation mentioned by Lord Goodman could not be ruled out, but would be very difficult indeed to achieve in view of legislative pressures; any concession on the Schedule E rule on travelling between home and place of business could not be considered in view of the likely consequences; the Revenue would wish to see the legal realities of the situation recognised by way of a slow general shift towards Schedule E.

Mr Plouviez and Mr Doran were offered discussions with the Revenue at any time on any points arising in the course of their review in the coming months.

INLAND REVENUE

THE BOARD ROOM, SOMERSET HOUSE, LONDON WC2R 1LB

TELEPHONE 01-438 7711

FROM THE CHAIRMAN, SIR LAWRENCE AIREY KCB

T 1495/8/76

31 January 1984

Lord Goodman CH
English National Opera
London Coliseum
St Martin's Lane
London WC2N 4ES

You telephoned me recently about the tax treatment of musicians and members of the Chorus of the ENO. I am sorry not to have come back to you earlier but I wanted a chance to study the very considerable background papers on this subject before writing.

As I understand matters, it seems to be accepted on all sides that Schedule E is the right schedule of charge for some at least of the people concerned. The difficulty that arises (and had arisen before you came to see my predecessor, William Pile, in 1978) turns on the discrepancy of treatment between those who already pay tax through PAYE and those who ought in law to do so but who, by concession, have been allowed to retain their Schedule D status.

In the past you have been concerned that the Revenue should not move too fast to bring all those who ought to be paying tax under Schedule E within PAYE and I think it is fair to say that, if there has been fault on our part, it has been that we have not acted sooner to bring about uniformity of treatment between individuals engaged on similar terms. As you may know, Inspectors of Taxes generally have instructions to ensure that PAYE is applied where appropriate to newcomers to the musical profession but to respect long-standing Schedule D status for existing members.

From the documents our Inspectors have seen, it appears that members of the chorus at ENO are engaged under "Esher" contracts which, there is authority to show, amount to contracts of service. The position of musicians is less clear and the Inspector at St Martin's District has been trying to obtain more information about the circumstances of their engagements so that he can form a view. He last wrote to the Finance Director of ENO about this on 11 November 1983.

At this stage, I am reluctant to intervene in the District's handling of this matter. To the extent that the problem is one of friction between those who enjoy 'reserved rights' under Schedule D in the ENO and those who do not, one possibility might be for us to impose in due course a deadline beyond which all those who are engaged under contracts of service would be brought within PAYE, regardless of how they have hitherto been treated. That would bring about uniformity of treatment and put an end to that particular difficulty. When you have had a chance to sound out those concerned, I should value your views on the desirability of such a move - which we should not, of course, make without the fullest consultation - and, if you think it is the right way to proceed, on what might be a realistic timescale.

Lawrence Airey

CONFIDENTIAL

Thanks. The delay is not really [illegible]. On the NHS allocation, I [illegible] how [illegible] [illegible] [illegible] [illegible] press [illegible] stage; [illegible] now. I would like my responses to the questions in para 15 (conclusions).

FROM: J P MCINTYRE
DATE: 20 October 1988

CHANCELLOR

cc Chief Secretary
Financial Secretary
Sir P Middleton
Mr Anson
Mr Phillips
Mr Scholar
Mr Culpin
Miss Peirson
Mr Gilhooly
Mr Riley
Mr Ramsden
Mr Speedy
Mr Tyrie
Mr Call
Mr Mace (IR)

Ch/ This does not shed any light on what Mr Moore is likely to propose, I'm afraid, and merely sets scene. CST has, as you know, already chivvied Mr M at one of their chats yesterday. We clearly need to keep up pressure: it's getting v. tight.
MPW

NATIONAL INSURANCE CONTRIBUTIONS: AUTUMN REVIEW

Mr Moore is expected to write to you early next week with proposals for NICs in 1989-90. (We have pressed DSS strongly to avoid any further delay in presenting the proposals to avoid your decision on the timing of the Autumn Statement being affected.) Highlights of the new rates will be in your Autumn Statement, and Mr Moore will announce the details by Written Answer the same day.

2. You have already agreed with Mr Moore that the Treasury Supplement should be abolished. This will be done in the forthcoming Social Security Bill, and you have agreed that we should take administrative action to end the Supplement with effect from 1 April 1989 (ie in advance of the Social Security Bill becoming law).

3. The effect will of course be a substantial reduction in next year's NIF surplus; the 5 per cent Treasury Supplement this year added about £1½ billion to NIF income. However, the fall in unemployment and buoyant earnings mean that the surplus will still be large next year - perhaps £1½ billion. So we cannot rule out Mr Moore proposing further measures to cut it. And whereas abolishing the Supplement is only an accounting change, with no impact on the PSDR, Mr Moore may be considering more substantive proposals affecting the rates and the earnings limits, which would

affect the PSDR, (though we have not encouraged his officials to think that you would welcome such proposals).

4. Annex A, prepared by Mr Speedy, sets out the details of a simple Autumn Review, with no frills except abolition of the Supplement and an increase in the NHS allocation by the maximum allowed under current legislation. The contribution rates would be unchanged; the upper and lower earnings limits would be uprated in the usual way; and the reduced rate bands would each go up by £5 as this year.

NIF Surplus

5. You will see that, given these assumptions, the estimated surplus in the NIF is £1.5 billion in 1989-90, down from a projected £3.0 billion this year as a result of abolishing the Supplement. This should help to deal with any arguments that the size of the surplus calls for national insurance benefits to be increased by more than prices or that contribution rates should be cut. However, £1.5 billion is still a considerable surplus. And the projected balance in the NIF at the end of 1989-90 will still be higher, at 41 per cent of outgo, compared with 39 per cent projected for the end of 1988-89. Moreover, the estimated surplus in the current year is much higher than the last published GAD estimate in February - £3.0 billion versus £1.8 billion. So the new figures may still produce some pressure for higher benefits/ lower contributions when the new GAD report is published, probably next month. (The Opposition will of course attack abolition of the Supplement and not regard it as a positive response to the surplus.)

NHS Allocation

6. The Annex A figures assume an increase in the NHS allocation by the maximum 0.1 per cent allowed under existing legislation. This will be worth some £350 million next year. As a result, NHS spending financed by NICs would rise to £3.6 billion or about 18 per cent of the total. (The Department of Health would apparently go along with this.)

7. I gather from DSS officials that Mr Moore is very <u>unlikely</u> to propose raising the 0.1 per cent ceiling in his new Bill. This was one of the options for dealing with the surplus discussed last year when Mr Moore was reportedly keen on the idea. But DSS now tell me that the Department of Health would be against it, at least for the moment, because it would complicate presentation of the results of the Health review.

8. There is a further reason for not moving on the NHS allocation in the new Bill. It might be argued that the government was aiming to finance more of the NHS out of NICs at the expense of pensioners and other national insurance beneficiaries, who were having to accept increases in benefits linked to prices rather than earnings. This sort of attack might be expected <u>whenever</u> we put forward proposals to permit higher NHS allocations. But it might well be linked in the context of this Bill with the proposal to abolish the Treasury Supplement: we would be asking NI contributors to finance more of the NHS <u>and</u> do without taxpayers' assistance in funding NI benefits.

<u>Earnings Limits</u>

9. One option for cutting the NIF surplus, which we understand DSS officials are putting to their Ministers, is an increase in the earnings limits for the reduced rate bands by £10 instead of £5 as assumed in Annex A. The legislation gives the Secretary of State discretion in setting these earnings limits (whereas the UEL and LEL changes are constrained), and practice since the 1985 reforms, which brought in the reduced rate bands, has varied. This year, each of the limits was increased by £5.

10. <u>If</u> we were to go for £10 increases in the next re-rating, the structure would look like this:

Earnings (£ per week)		Contribution rates	
1988-89	1989-90	Employer	Employee
41 - 70	43-80	5%	5%
70 - 105	80-115	7%	7%
105 -155	115-165	9%	9%
155-305*	165-325*	10.45%	9%

* UEL for employees only

11. Very roughly, we estimate that an additional 410,000 employees would be in the 5 per cent band, compared with a £5 increase, and an extra 550,000 would be in the 7 per cent band.

12. One argument for £10 increases is that £5 produces an uplift of less than the increase in earnings this year (8¾ per cent) for each of the reduced rate limits. A £5 increase would therefore result in a significant erosion of the limits in (earnings) real terms, particularly for the £105 and £155 limits. The comparison is as follows:

1988-89	1989-90	
	£5 increase	£10 increase
70	75 (7%)	80 (14%)
105	110 (4 3/4%)	115 (9½%)
155*	160 (3¼%)	165 (6½%)

* employers limit only.

13. The drawback, of course, would be the resulting loss in contribution income and reduction in the PSDR. This would be about £150 million. (Another slight drawback is that the steps, with their very high marginal rates, would be pushed into denser parts of the income distribution.) In view of the costs, you may wish to consider a £10 increase for the £155 limit only (though this does not affect employees contributions and is arguably of

lower priority) or for the £105 and £155 limits. These options would cost £50 million and £110 million respectively (and very approximately).

14. These estimates are for loss of contribution income only. The PSDR effects of £10 increases in the £70 and £105 limits would be smaller to the extent of any benefit savings on family credit and housing benefit. If you wanted to pursue these options, we would need to do further work to establish the scale of these offsets: they seem unlikely to be very substantial.,

at all significant in survey terms?

Conclusions

15. We will let you have further advice when Mr Moore writes. We will also give you a draft of Chapter 3 of the Autumn Statement early next week. In the meantime, it would be helpful to know whether you are content with:

i. an Autumn review broadly on the lines of Annex A and, in particular, with

ii. DSS <u>not</u> taking new powers to increase the maximum NHS allocation by more than 0.1 per cent a year. at this stage.

16. On the question of the earnings limits for the reduced rate bands, there are a number of options:

No

a. Uprate all by £5 - as in Annex A

b. Uprate all by £10 - as DSS may propose. (Cost to NIF: £150 million over Annex A)

c. A compromise, with the £70 and £105 limits up by £5, and the £155 limit up by £10 (cost to NIF over Annex A: £50 million)

d. A compromise with the £70 limit up by £5 and the £105 and £155 limits up by £10 (cost to NIF over Annex A: £110 million)

I am prepared to consider one of them, but leave until [illegible]

Pending decisions on more radical reform at the lower end, you may want to increase the limits as little as possible in the Autumn Review. That would point to £5 increases across the board. On the other hand, a £5 increase will look small in relation to prices and earnings increases, particularly for the £155 limit.

17. We will also be sending you a separate submission shortly on possible lower end measures on which you asked for further work. (You have already indicated that these are not options for the Autumn Review.)

Handling

18. Unless Mr Moore puts forward more radical measures for cutting the surplus (with an unacceptable PSDR cost), going beyond what is discussed in this minute, I would expect that his proposals could be handled expeditiously, without constraining your Autumn Statement timetable - assuming he writes by early next week - and probably without your having to see him.

J P MCINTYRE

NATIONAL INSURANCE CONTRIBUTIONS REVIEW

The first part of this paper sets out the current state of the National Insurance Fund (NIF) and the effect of a simple uprating of earnings limits (with contribution rates unchanged) in the Autumn review. Abolition of the Treasury Supplement and the maximum increase in the NHS allocation are both assumed. The second part considers how the resulting NIF surplus might be defended.

The State of the Fund

2. The NIF continues to generate substantial surpluses. We are currently projecting a surplus of £3.0 billion for the current year, compared to a forecast of £1.8 billion made in GAD's last published report in February. The results of a base run made by GAD and adjusted by Treasury for later economic assumptions are shown in Table 1 attached. They point to surpluses of £1.5 billion in 1989-90 and £1.6 billion in 1990-91. The balance of the Fund as a proportion of benefit expenditure should increase from 39 per cent at the end of this year to 41 per cent in 1989-90 and 44 per cent in 1990-91; this would be the highest balance since the 1975 Social Security Acts took effect.

3. The assumptions underlying the base run are as follows:

i. **Benefits** uprated in line with the actual RPI for the April 1989 uprating (5.9 per cent) and 5.5 per cent in April 1990.

ii. **Earnings** uprated in line with current economic assumptions, that is, averaging 8.75 per cent in 1988-89, 7.5 per cent in 1989-90 and 6 per cent in 1990-91.

iii. **Unemployment** 2.1 million in 1988-89 and 1.9 million thereafter. (A lower assumption would increase the surplus by reducing benefit expenditure and increasing contribution income. Most of the savings from reduced unemployment now come on non-contributory benefits).

iv. **The lower earnings limit (LEL)** uprated in line with prices, that is in line with the basic pension, rounded down to the nearest pound, as required by the 1986 Social Security Act. For 1989-90 this means an LEL of £43 a week.

v **The upper earnings limit (UEL)** uprated to the maximum permitted within the current legislative constraint that it must be between 6½ and 7½ times the basic pension (rounded to £5). For 1988-89 this suggests a UEL of £325 a week (£16,900 a year), a £20 a week increase in the present level.

vi. **The earnings limits on the reduced rate bands** uprated by £5 a week each both in 1989-90 and 1990-91. This is the minimum credible uprating (although there is no legal obligation to uprate) and could be presented as being roughly in line with the uprating of the LEL. A £5 increase would represent a 7 per cent uplift for the £70 limit; a $4^{3}/_{4}$ per cent increase for the £105 limit; and a $3^{1}/_{4}$ per cent increase for the £155 (employers only) limit.

vii. **Employers and employees:** No change in any of the **Class 1 contribution rates.**

viii. **Self Employed: Class 2 rate** increased in line with formula to £4.25 a week. No change in **Class 4 rate. Lower profit limit** uprated in line with prices; **upper profit limit** uprated in line with UEL.

ix. **NHS allocation** is increased by maximum (0.1 per cent) allowed under current legislation: giving 0.9 per cent for employers and 1.05 per cent for employees. This does not affect overall contribution rates.

x. Employment Protection Allocation remains at zero.

xi. **Treasury Supplement** is abolished with effect from April 1989.

Is the surplus defensible?

4. Abolition of the Treasury Supplement will ensure a lower surplus in 1989-90 than in the current year. Given that the current year's record surplus has not given rise to much complaint, it can be argued that no further measures to reduce the surplus are necessary.

5. However, the Government Actuary would probably advise that it is the balance of the fund rather than the short term flows which are important. DSS certainly see it this way, arguing that an ever increasing balance of the fund lays them open to legal challenge. The Pay-as-you-go nature of the Fund means that a surplus much higher than the prudential minimum (17½ per cent of benefit expenditure) is hard to justify. The counter-argument is that percentage balances in the high 30s are not unprecedented. The outturn balance in 1977-78 was 39 per cent, while that for 1978-79 was 37 per cent.

6. An additional factor is uncertainty. A dip in the underlying growth of the surplus is already being projected for 1989-90 as a result of take up of personal pensions and contracted out money purchase schemes. The base case assumes that one million people currently not contracted out will contract out from 1988-89 onwards. This assumption is highly speculative, and if it proves to be wide of the mark the surplus could be significantly smaller (or bigger).

7. A further argument examined in the past relates to demography, SERPS and health care for an ageing population. If the line can be held on price upratings, with its implication of a basic retirement pension of 14 per cent of average earnings by 2003 compared to 20 per cent in 1983, then there should be little pressure to raise NIC rates. However, if the Government succumbs to earnings upratings or chooses to finance the increase health

expenditure resulting from an ageing population through the NIF, there would appear to be a strong case for building up a large NIF balance now to avoid imposing the burden of higher NIC rates on future generations. Such an approach would follow the prudent example of the Japanese, whose main national insurance scheme has a balance some six times annual outgo. The problem with this approach is that the NIF was set up on a pay as you go basis; turning it into a de facto funded scheme might result in legal challenge. To promote this argument would also give a hostage to fortune, tying the Government's hands in relation to future fund policy.

EPA and NHS allocations

8. Last year, a five year holiday for EPA contributions was agreed. The Redundancy Fund remains in substantial surplus, and there seems little reason to review this decision.

9. The rise in the NHS allocation over the last two years proved an effective means of siphoning money out of the NIF. A further 0.1 per cent rise in the employee and employer allocation, the maximum permitted without primary legislation, would reduce the NIF surplus by around £350 million in 1989-90.

Health warning

10. Finally, the usual health warning should be registered in relation to the estimates given in this paper. They are all subject to confirmation by GAD and could change with later information, particularly the effect of revised economic assumptions, and with more accurate estimates of the consequential effects on the minor rates (Class 2 etc.)

ST/ETS Divisions
18 October 1988.

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Table 1

Prospects for the Autumn NIC Review: Base Run

ASSUMPTIONS:-

£ a week

	1988-89			1989-90			1990-91		
Lower earnings limit (LEL)	41			43			45		
Upper earnings limit (UEL)	305			325			340		
Contribution Rates									
Main rates									
employer	10.45			10.45			10.45		
employee	9			9			9		
Reduced rates									
Employers - reduced rate %	5	7	9	5	7	9	5	7	9
- on earnings up to £	70	105	155	75	110	160	80	115	165
Employees - reduced rate %	5	7		5	7		5	7	
- on earnings up to £	70	105		75	110		80	115	
Summary of NIF (£ billion)									
Treasury Supplement	1.6			0			0		
- Rate %	5			0			0		
Surplus	3.0			1.5			1.6		
Balance of fund at year end	10.3			11.8			13.4		
as % of outgo	39			41			44		

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Table 2

End year balances of NIF as % of outgo

	November prior year forecast	November in year forecast	outturn
1977-78	n.a.	n.a.	39
1978-79	n.a.	37	37
1979-80	34	34	36
1980-81	29	34	32
1981-82	30	27	23
1982-83	23	19	22
1983-84	16	22	23
1984-85	22	25	24
1985-86	27	21	24
1986-87	20	23	24
1987-88	26	27	29
1988-89 (estimated)	34	39	n.a.
1989-90 "	41	n.a.	n.a.
1990-91 "	44	n.a.	n.a.

20.10.2

CONFIDENTIAL

RP

FROM: R B SAUNDERS
DATE: 20 October 1988

CHIEF SECRETARY

cc Chancellor
Mr Anson
Mr Phillips
Miss Peirson
Mr Turnbull
Mr Potter
Mr Rayner
Mr Call

SOCIAL SERVICES TRAINING AND THE CHILD CARE INITIATIVE

With his letter of 19 October, Mr Mellor offers a revised draft of the speech he is due to deliver to local authority social service departments tomorrow. This follows your objection, supported by the Prime Minister, to his earlier draft. It has been agreed with Treasury officials - indeed, we drafted most of it.

2. The new draft covers broadly similar ground, but is much more tentative about the Government's intentions in relation to social services training. In particular, it makes it clear that the Government will need to re-examine the effectiveness of existing training, and not just make incremental additions to the system. It also brings out more clearly the need for relevance to employers' needs, and value for money. It explicitly leaves open the option that it may be possible to achieve improvements within existing resources.

3. I recommend that your office telephones Mr Mellor's as soon as possible to say that you are content for him to deliver the speech tomorrow. But you should also write as in the attached draft. In our discussions with DoH officials, we have had much difficulty in extracting a clear statement of why social services training needs to be improved, what alternative options exist, and what can be achieved within existing resources. The Department's proposals as they presently stand could cost something like £30m a year in the longer term. This would be mainly local authority expenditure, but the Department are likely to try and get as much of it as possible funded through specific grants. I think therefore that you need to ask for Mr Mellor to show you a proper justification for what he wants to do.

RBS

R B SAUNDERS

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DRAFT LETTER FROM CHIEF SECRETARY TO

David Mellor Esq QC MP
Minister for Health
Department of Health
Richmond House
79 Whitehall
London SW1A 2NS

SOCIAL SERVICES TRAINING AND THE CHILD CARE INITIATIVE

As my office told yours over the telephone, I was content with the revised draft of your speech to the social services conference [tomorrow]. This is on the basis that the Government is not being committed thereby to any particular course of action. You will not of course be able to go any further than this in public statements until we have had a chance to consider collectively the direction in which you would like to go.

2. In so doing, I would hope you could include a slightly fuller justification for your proposals than was offered in your letter of 7 October. This should cover:

- your best estimate of the existing level of spending on social services training, and to what it is directed;

- what evidence there is for inadequacies, after taking account of the improvements in qualifying training and practice placements and the two new specific grants for training in care of the elderly and child care;

- what are the options for making good these deficiencies within existing resources;

- what detailed objectives would be set for new proposals in this area and how their achievement would be measured.

3. The proposals in your letter could cost £30m a year or more. We would therefore need to satisfy ourselves first that the proposals are justified on their merits and that they could not be met by redirection and better use of the not inconsiderable resources already devoted to this area.

4. I am sending a copy of this letter to the Prime Minister, members of H Committee and to Sir Robin Butler.

chex.rm/mw/18

SECRET

MP

FROM: MISS M P WALLACE
DATE: 20 October 1988

PS/CHIEF SECRETARY

cc Mr Anson
Mr Turnbull
Miss Peirson
Mr McIntyre

SOCIAL SECURITY: DEAL

The Chancellor has seen your minute of 19 October. He notes that the 50p figure has been chosen to decouple the FC/IS increase from the Child Benefit freeze. But he has commented that Mr Moore will of course be bound to link the two things in his presentation. Thus, to the extent that the 50p is one-off, the CB freeze will also be presented as one-off. He comments that the presentation - tricky whichever way you slice it - will need careful thought.

MPW

MOIRA WALLACE

st.ln/dra/1.20.10

CONFIDENTIAL

FROM: MISS M E PEIRSON
DATE: 21 October 1988

CHANCELLOR OF THE EXCHEQUER

cc PS/Chief Secretary
PS/Paymaster General
Sir P Middleton
Mr Anson
Mr Phillips
Mr Beastall
Mr A J C Edwards
Mr Turnbull
Mr Potter
Mr Saunders
Mr S N Wood
Mr D Griffiths
Mr Call

Ch/ This is extraordinary and v disappointing. It might just ~~embarrass Mr R~~ for you to point out that his officials' draft overcommitted him. But would you like to have a go?

MPW.

I will have a word with Mr R when I am next due to see him @ a mtg. PSR remind me.)

NHS AUDIT

Since my submission of 11 October, we have discussed further with DH and DOE officials the offer by Mr Ridley to introduce an enabling clause into his forthcoming Housing and Local Government Bill, to allow the Audit Commission to make an early start on NHS work. Despite possible difficulties (see below), we were prepared to support it, for the sake of the significant advantage.

(!) 2. However, it now appears that Mr Ridley had not actually been consulted by his officials on the point before being invited to write. He has now been consulted, and has expressed his great reluctance to include a probably controversial clause on this matter in his Bill. There would be Parliamentary interest, for example, in the exact relationships between the Audit Commission, the PAC, and the Secretary of State for Health; and these matters have not yet been thought through within the Government. DOE officials feel they can do no more, and that only pressure from other Ministers would change Mr Ridley's mind.

3. Would you like to speak to Mr Ridley?

4. The advantage of such a clause is considerable. It would enable the Audit Commission to begin work early on the NHS audit,

[I would also want a copy of his letter of 4/10!]

whereas DH do not expect to get their health review legislation through in time for implementation much before the middle of 1990-91.

5. DH are considering the possibility of arranging large secondments of staff between their own audit section and the Audit Commission. But DOE fear that even that would be outside the powers of the Audit Commission (individual secondments are one thing, but large secondments might risk an application by some local authorities for judicial review). And anyway such secondments would not achieve the Treasury's main objective, which is the Audit Commission's style of open reporting.

6. There are drawbacks to an enabling clause. First, Mr Ridley's fear of Parliamentary difficulties, to which he would have no fully prepared response, is probably well founded.

7. Secondly, since the clause would almost certainly be introduced before any statement was made on the health review, DH and DOE would both prefer that in presenting the clause Mr Ridley should give other examples (as well as health) of the fields into which the Audit Commission might move. We have been worried that that would make it more difficult for the Treasury to resist the extension of the Audit Commission's powers to carry out the audit of various bodies (eg in the housing field) where we consider that the private sector should do the audit. But we are somewhat reassured by the fact that DOE are thinking of value for money audit only, not regularity audit. And we could probably agree with DOE on some innocuous examples (eg LA Associations) for mention at this stage.

8 It is anyway still doubtful whether there would be room for such a clause in the Bill. But no need to abandon hope yet.

Recommendation

9 You may like to speak to Mr Ridley, to urge him to pursue the idea of the enabling clause.

MEP

MISS M E PEIRSON

chex.ps/jt/36 RESTRICTED

FROM: J M G TAYLOR
DATE: 21 October 1988

PS/FINANCIAL SECRETARY

cc PS/Chief Secretary
PS/Paymaster General
PS/Economic Secretary
Mr Scholar
Mr Culpin
Mr Gilhooly
Miss Hay
Mr Ramsden
Mrs Chaplin

Mr Jarvis - IR
PS/IR

THE EMPLOYMENT STATUS OF ACTORS AND PERFORMERS TAX, NATIONAL INSURANCE AND VAT TREATMENT

The Chancellor was grateful for the Financial Secretary's note of 19 October.

2. He agrees with the Financial Secretary's conclusion in favour of a "gradualistic approach" ie to maintain the position that Schedule E applies to payments under standard contracts but to continue the existing transitional Schedule D rights for established actors.

J M G TAYLOR

chex.md/mw/68 CONFIDENTIAL

MP

FROM: MISS M P WALLACE

DATE: 21 October 1988

MR MCINTYRE

cc PS/Chief Secretary
PS/Financial Secretary
Sir P Middleton
Mr Anson
Mr Phillips
Mr Scholar
Mr Culpin
Miss Peirson
Mr Gilhooly
Mr Riley
Mr Ramsden
Mr Speedy
Mr Tyrie
Mr Call
Mr Mace - IR

NATIONAL INSURANCE CONTRIBUTIONS: AUTUMN REVIEW

The Chancellor was grateful for your minute of 20 October.

2. His answers to the questions in your paragraph 15 are as follows:

(i) He is content with an Autumn review broadly on the lines you suggest in your annex A, and

(ii) He is content for DSS not to take powers to increase the maximum NHS allocation by more than 0.1 per cent a year, <u>at this stage</u>. (He notes that we might want to amend the Bill at a later stage, but there is no need to press it now.)

(iii) On the options for uprating the reduced rate band limits, he is not attracted by either option a (uprate all by £5) or b (uprate all by £10), but he is prepared to consider one of the compromises - either c or d - where the steps are uprated by different amounts.

MPW

MOIRA WALLACE

HC/0470t/2

CONFIDENTIAL

DEPARTMENT OF HEALTH AND SOCIAL SECURITY

Richmond House, 79 Whitehall, London SW1A 2NS

Telephone 01-210 3000

From the Secretary of State for Social XXXXXXX Security

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
H M Treasury
Parliament Street
LONDON
SW1P 3AG

22 October 1988

Dear Nigel,

I am writing to let you know of my proposals for this year's rerating of National Insurance Contributions (NICs).

As you will know, the balance in the Fund and the in-year surplus are uncomfortably high in comparison with the Government Actuary's recommended minimum target balance of about £4.5 billion. The Government Actuary's projected figures for 1989-90, assuming a rerating on much the same basis as last year, are £11.40 billion and £1.36 billion respectively. This leaves us extremely vulnerable to arguments that we should reduce NICs and/or increase benefits by more than the movement in prices. Such arguments can be expected to surface particularly during the debate on the uprating statement and in discussion of the abolition of the Treasury Supplement during the passage of the next Social Security Bill. Even if we increase the NHS allocation by the maximum permitted under secondary legislation, the surplus reduces only by £0.34 billion.

I believe it essential that we now begin to take a careful look at the longer-term options that are available to us for reducing this balance, and I have asked my officials to begin preliminary work immediately.

However for this rerating, I would propose to adopt essentially the same approach as last year, and I enclose a table showing what the rates would then be.

I am copying this letter to Kenneth Clark.

✓ 24/10

John Moore

JOHN MOORE

ANNEX A

Option I: Changes in contribution rates

Class 1

Rate		Present Band		Proposed Band (rounded to nearest £5)	
employers	employees				
5%	5%	£41 (LEL)	£69.99	£43	£74.99
7%	7%	£70	£104.99	£75	£114.99
9%	9%	£105	£154.99	£115	£164.99
10.45%	9%	£155	£305 (UEL)	£165	£325
10.45%	Nil	above £305		above £325	

	Present	Proposed
Class 2	£4.05/week	£4.25/week
Small earnings exemption	£2,250	£2,350
Class 3 (voluntary)	£3.95	£4.15
Class 4: lower profits limit	£4,750	£5,050
upper profits limit	£15,340	£16,900
NHS allocation		
Employees:	0.95%	1.15%
Employers:	0.80%	0.90%

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pl put in PM bilateral folder for tomorrow

Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

24 October 1988

Rt Hon John Moore MP
Secretary of State for Social Security
Deptartment of Health and Social Security
Richmond House
79 Whitehall
LONDON
SW1A 2NS

PS/Chief Secretary
PS/Financial Secretary
Sir P Middleton
Mr Anson
Mr Phillips
Mr Scholar
Mr Culpin
Miss Peirson
Mr Gilhooly
Mr Riley
Mr Ramsden
Mr Speedy
Mr Tyrie
Mr Call

Mr Mace - IR

Dear John

NATIONAL INSURANCE CONTRIBUTIONS 1989-90

Thank you for your letter of 22 October.

I am content with the proposals set out in the Annex to your letter (though the NHS allocation for employees should of course be 1.05 per cent rather 1.15 per cent). As for the longer term, I would be grateful if your officials could keep mine in touch with their work on the options for the NIF surplus. One option which I would not want to rule out is an increase in the maximum annual increase in the NHS allocation from the current 0.1 per cent. If there were agreement that this would be a sensible way of reducing the surplus, the necessary provisions might be included at a later stage in your new Social Security Bill, though we do not need to decide on that now.

I am sending a copy of this letter to Kenneth Clarke.

Yours

Nigel

NIGEL LAWSON

chex.rm/mw/21

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FROM: MISS M P WALLACE
DATE: 24 October 1988

~~BF 2/11~~

MISS PEIRSON

cc PS/Chief Secretary
PS/Paymaster General
Sir P Middleton
Mr Anson
Mr Phillips
Mr Beastall
Mr A J C Edwards
Mr Turnbull
Mr Potter
Mr Saunders
Mr S N Wood
Mr Griffiths
Mr Call

NHS AUDIT

The Chancellor was grateful for your note of 21 October. He will have a word with Mr Ridley when he next sees him.

MPW.

MOIRA WALLACE

REPORT BY THE GOVERNMENT ACTUARY ON THE DRAFTS OF THE SOCIAL SECURITY BENEFITS UPRATING ORDER 1988 AND THE SOCIAL SECURITY (CONTRIBUTIONS AND ALLOCATION OF CONTRIBUTIONS) (RE-RATING) ORDER 1988

To: The Right Hon. JOHN MOORE M.P., Secretary of State for Social Security

1. In accordance with Section 63(11) of the Social Security Act 1986 and Sections 121(1) and 123A(6A) of the Social Security Act 1975 I submit the following report on the likely effect on the National Insurance Fund of the Social Security (Benefits Up-rating) Order 1988 and the Social Security (Contributions and Allocation of Contributions) (Re-rating) Order 1988. This report also takes account of the proposed Social Security (Contributions) Amendment (No.5) Regulations 1988 and the proposed abolition of the Treasury Supplement.

2. Taken together, the Statutory Instruments provide for the changes in benefit rates, contribution rates, earnings limits and earnings brackets described below.

3. The Benefits Uprating Order alters the main social security benefits payable from the National Insurance Fund from dates in the week beginning 10 April 1989. The new rates of Statutory Maternity Pay and Statutory Sick Pay will begin from 2 April and 6 April respectively. The flat-rate retirement and invalidity pensions will be increased by £2.45 to £43.60 a week for a single person and by £3.90 to £69.80 for a married couple, with a similar increase of £2.45 a week for widows' pensions. Unemployment benefit will be increased by £1.95 to £34.70 for a single person and by £3.15 to £56.10 for a married couple. A summary of the principal rates of benefit before and after the changes is given in Appendix 1.

4. As well as increasing flat-rate pensions, the Order increases by 5.9 per cent the earnings-related additional pensions of retirement, widow and invalidity beneficiaries who qualified for these pensions before 10 April 1989. This increase applies to these pensions before abatement for any guaranteed minimum pensions paid from occupational pension schemes where the pensioner has been contracted out. The whole cost will fall on the National Insurance Fund.

5. Where increments are payable with retirement pension, because a pensioner has deferred retirement, the Order increases the increments by 5.9 per cent. Where an occupational pension scheme awards increments to guaranteed minimum pensions because retirement is postponed, the pensioner's State pension will be increased by an amount equal to 5.9 per cent of those increments.

6. Taken together, the **Contribution Orders** alter certain contribution rates and the earnings brackets from the beginning of the 1989-90 tax year. I have been instructed to assume that the lower and upper earnings limits will be altered by amending Regulation, in accordance with Section 1 of the Social Security Pensions Act 1975 which links these limits to the basic retirement pension. The changes to the Class 1 earnings limits and earnings brackets for reduced rates of contribution, together with the changes to Class 2, Class 3 and Class 4 limits and contributions, are shown in Appendix 2.

7. The total Class 1 rates of contribution for the 1989-90 tax year are unchanged. The allocation from the total rate to the National Health Service, currently 0.95% from employees and 0.8% from employers, will be raised to 1.05% and 0.9% respectively. Appendix 2 shows the contribution rates to the Funds and also the resulting total contribution rates for the different earnings brackets.

8. The Government proposes to introduce legislation to abolish from 1989-90 the Treasury supplement to the National Insurance Fund. This currently is 5 per cent of gross contributions before contracted-out reductions and recoveries of statutory sick pay and statutory maternity pay. The effect of the abolition is included in this report.

Estimates of Income and Outgo

9. Table 1 shows estimates of the income and outgo of the National Insurance Fund for 1989-90 allowing for the proposed changes in benefit rates, earnings limits, earnings brackets and contribution rates, on the basis of the working assumptions described in paragraph 10 below. The latest estimates for the current year 1988-89 are also shown for purposes of comparison.

Table 1. Estimated income and outgo of the National Insurance Fund

Great Britain (£ million)

	1988-89	1989-90
Income		
Contributions†	26611	27887
Treasury supplements*	1623	
State scheme premiums	240	250
Investment income	810	950
Total income	29284	29087
Outgo:		
Benefits:		
At present rates	25600	25905
Increases due to proposed changes		1514
Transfers to Northern Ireland	170	175
Administration	868	974
Total outgo	26638	28568
Surplus	2646	519
Balance in Fund at end of year	9934	10453

† In 1989-90, after deducting statutory sick pay and statutory maternity pay of £905 million and £245 million respectively, and abatement of contributions on SSP and SMP of £63 million and £17 million respectively. The corresponding figures for 1988-89 are £859 million, £224 million and £60 million and £16 million respectively.

* The figure for 1988-89 is net of £19m overdrawn in respect of 1987-88.

Assumptions

10. The income from contributions and the expenditure on benefits in the remainder of 1988-89 and in 1989-90 will depend <u>inter alia</u> upon the level of unemployment and the rate of increase of earnings. In accordance with the normal practice, working assumptions have been given to me by the Government in regard to these factors. The assumptions I have been instructed to use for the purpose of the above estimates were set out in the following terms in the Chancellor of the Exchequer's Autumn Statement:

(i) the number of unemployed (Great Britain, excluding school-leavers, adult students and persons whose employment has temporarily stopped) averages 2,100,000 in 1988-89 and 1,900,000 in 1989-90;

(ii) the increase in average earnings is expected to decline from about 8.75 per cent between financial years 1987-88 and 1988-89 to about 7.5 per cent between financial years 1988-89 and 1989-90. Figures for settlements are of course lower than these earnings figures in both years.

[illegible] a. 8¾ and 7½

Estimates for 1988-89

11. The estimated surplus of £2646 million for 1988-89 is an increase of £875 million from the estimated surplus of £1771 million given in my report on the Social Security (Contribution, Re-rating) Order 1987 (Cm.257).

12. The changes in the assumptions for average earnings increase the surplus by £689 million; a rise in the estimated number of contributors increases it by a further £49 million. Other changes in the estimates of Fund income increase the surplus by £7 million. Estimated benefit expenditure is reduced by £91 million. With the unemployment assumption falling, there is a reduction of £338 million in unemployment benefit. This is offset by an increase of £237 million in sickness and invalidity benefits; the net effect of the changes to the estimates for the other benefits increases the expected expenditure by a further £10 million. Other estimating changes to the outgo, including a fall of £29 million in administration costs, increase the surplus by £39 million.

Estimates for 1989-90

13. The extra expenditure in 1989-90 as a result of the increases in benefit rates from April 1989 is £1514 million. Particulars of the extra cost and of the cost for individual benefits are given in Appendix 4.

14. **Table 1** shows that total benefit expenditure is estimated to increase by £1819 million between 1988-89 and 1989-90. Underlying the benefit estimates are increasing numbers of retirement and invalidity pensioners and reducing numbers of widow pensioners and unemployment benefit and maternity allowance recipients. In addition the continuing build-up in the numbers of retirement, invalidity and widow pensioners qualifying for earnings-related additional pensions, as well as the increasing average amounts of benefit to which they are entitled, increases expenditure by about £180 million.

15. The financial effects of the provisions in the Orders which change earnings brackets and contribution rates and of the proposed Regulations changing earnings limits are summarised in **Appendix 5**. As a result of the changes there will be an aggregate net decrease in contribution receipts of £77 million; with the changes in the allocation of the contributions the part attributable to the National Insurance Fund will reduce by £458 million. The removal of the Treasury supplement reduces income by £1747 million in 1989-90.

16. Changes to the rates of statutory sick pay and statutory maternity pay are estimated to increase recoveries by employers from National Insurance contributions in 1989-90 by £44 million and £5 million respectively. Total recoveries made during the year are estimated to amount to £905 million for statutory sick pay and £245 million for statutory maternity pay.

17. Table 1 shows that, after taking account of the changes to earnings limits, earnings brackets and contribution rates, the total yield of contributions to the National Insurance Fund, after deducting recoveries of statutory sick pay and statutory maternity pay, is estimated to increase by £1276 million between 1988-89 and 1989-90. **Appendix 6** shows an analysis of the estimated contribution income in 1989-90 by class of contributor. As a consequence of the new contracted-out arrangements introduced by the Social Security Act 1986 the increase in contributions between 1988-89 and 1989-90 is about £430 million less than it would otherwise have been. This is due to increased estimates for contracted-out rebates as well as the 2 per cent incentive payments to those newly contracted out.

Effect of different assumptions on unemployment and earnings

18. If the average number unemployed in 1989-90 is 100,000 lower than has been assumed, and this is matched by an equal rise in the number working, it is estimated that contribution income will be £105 million higher; expenditure on unemployment benefit is estimated to decrease by £60 million. Similarly, if the average number unemployed is 100,000 higher and the corresponding assumption is made, the contribution income in 1989-90 would be £105 million lower and expenditure would rise by £60 million.

19. If the actual increase in earnings in 1988-89 or 1989-90 is different from that assumed then the 1989-90 surplus will change by the amount shown in **Table 2.** A positive figure represents an increase in the surplus, a minus figure a decrease. These figures show the sensitivity of the estimates to the assumptions made regarding earnings changes.

Table 2. Changes projected in the surplus of the National Insurance Fund in 1989-90 as a result of different earnings increases.

£ million

1988-89 percentage increase over 1987-88	1989-90 percentage increase over 1988-89		
	$5\frac{1}{2}\%$	$7\frac{1}{2}\%$	$9\frac{1}{2}\%$
$7^3/_4\%$	-800	-330	+140
$8^3/_4\%$	-480	0	+480
$9^3/_4\%$	-140	+330	+800

The Balance in the National Insurance Fund

20. For the two years for which estimates are given in this report and the immediately preceding year, the estimated balances in the Fund at the end of each year represent the following proportions of the benefit expenditure during the year:

1987-88	29 per cent
1988-89	39 per cent
1989-90	38 per cent

EDWARD JOHNSTON

Government Actuary's Department
December 1988

APPENDIX 1

Main rates of benefit

	Existing rate	Proposed weekly rate*
	£	£
Retirement, invalidity and widows' pensions, widowed mother's allowance:		
Personal benefit (basic pension)	41.15	43.60
Wife or other adult dependant	24.75	26.20
Graduated Retirement Benefit (unit)	0.0539	0.0571
Widow's payment	1000.00†	1000.00†
Invalidity allowance:		
Higher rate	8.65	9.20
Middle rate	5.50	5.80
Lower rate	2.75	2.90
Unemployment benefit:		
Personal benefit	32.75	34.70
Wife or other adult dependant	20.20	21.40
Statutory sick pay:		
Higher rate	49.20	52.10
Lower rate	34.25	36.25
Statutory maternity pay	34.25	36.25
Sickness benefit and maternity allowance:		
Personal benefit	31.30	33.20
Adult dependant	19.40	20.55
Disablement benefit:		
Disablement pension (100 per cent assessment)	67.20	71.20
Reduced earnings allowance (maximum)	26.88	28.48
Constant attendance allowance (normal maximum), exceptionally severe disablement allowance	26.90	28.50
Industrial death benefit:		
Widow's pension higher permanent rate	41.15	43.60
Widow's pension lower permanent rate	12.35	13.08
Increases for children of widows, invalidity and retirement pensioners; guardian's allowance and child's special allowance	8.40	8.95
Lump sum payment to pensioners	10.00†	10.00†

* With effect from dates in the week beginning 10 April 1989.

† Lump sum benefit

APPENDIX 2

Changes in Class 1 Earnings Limits, Earnings Brackets and Class 2, Class 3 and Class 4 limits and contributions.

Class 1	1988-89	1989-90
Lower Earnings Limit	£41 a week	£43 a week
Boundaries of Earnings Brackets	£70 a week £105 a week £155 a week	£75 a week £115 a week £165 a week
Upper Earnings Limit	£305 a week	£325 a week
Class 2		
Flat Rate Contribution	£4.05 a week	£4.25 a week
Small Earnings Exception	£2250 a year	£2350 a year
Class 3		
Flat Rate Contribution	£3.95 a week	£4.15 a week
Class 4		
Lower Profits Limit	£4750 a year	£5050 a year
Upper Profits Limit	£15860 a year	£16900 a year
Contribution Rate	6.3%	6.3%

APPENDIX 3

Rates of Class 1 contributions for 1989-90

	Primary contribution (employee)			Secondary contribution (employer)	
	Standard rate		Reduced rate for married women and widow optants	Not Contr-acted -out rate	Contr-acted -out rate††
	Not Contr-acted -out rate	Contr-acted -out rate††			
	%	%	%	%	%
National Insurance Fund					
Weekly Earnings					
£43.00 - £74.99	3.95	1.95	2.80	4.10	0.30
£75.00 - £114.99	5.95	3.95	2.80	6.10	2.30
£115.00 - £164.99	7.95	5.95	2.80	8.10	4.30
£165.00 and over†	7.95	5.95	2.80	9.55	5.75
National Health Service†	1.05	1.05	1.05	0.90	0.90
Total					
Weekly Earnings					
£43.00 - £74.99	5.00	3.00	3.85	5.00	1.20
£75.00 - £114.99	7.00	5.00	3.85	7.00	3.20
£115.00 - £164.99	9.00	7.00	3.85	9.00	5.20
£165.00 and over†	9.00	7.00	3.85	10.45	6.65

Notes: † The contribution rates apply to earnings up to the upper earnings limit for employees and to all earnings for employers.

†† Applies only to earnings between the lower and upper earnings limits. The corresponding not contracted-out rate applies to earnings below the lower earnings limit and, for employers, to earnings above the upper earnings limit.

APPENDIX 4

Estimated outgo on National Insurance Fund benefits and effect of benefit up-rating on outgo in 1989-90

Great Britain (£ million)

	Extra outgo in 1989-90 as a result of uprating	Estimated total outgo in 1989-90	Estimated outgo in 1988-89
Retirement pensions	1156	20656	19281
Widows' and Industrial death benefits	52	988	965
Unemployment benefit	53	966	1143
Invalidity benefits	214	3987	3410
Sickness benefit	11	206	205
Maternity allowance	2	29	27
Industrial injuries benefits:			
Disablement benefits	26	473	455
Other benefits	0	3	4
Guardian's allowance and child's special allowance	0	1	1
Lump sum payment to pensioners	-	110	109
Total	1514	27419	25600

AIJAAB

APPENDIX 5

Analysis of the changes in contribution income for 1989-90 as a result of changes in the earnings limits and contribution rates and in the allocation of contributions

Great Britain (£ million)

	Contributions for the tax year 1989-90		Contributions received in tax year 1989-90	
	National Insurance Fund	National Health Service	National Insurance Fund	National Health Service
Social Security (Contributions, Re-Rating) (No.2) Order 1988				
Changes in Class 1 earnings brackets	-266	-	-232	-
Increases in Class 2 rate and small earnings exception limit	19	4	12	2
Increase in Class 3 rate	1	0	0	0
Increase in Class 4 profits limits	-3	-1	-1	0
Total	-249	3	-221	2
Proposed Social Security (Contributions) Amendment (No. 2) Regulations 1988				
Increase in Class 1 lower and upper earnings limits				
Gross contributions	219	23	190	20
Less contracted-out contribution reductions	79	-	68	-
Net increase in Class 1 contributions	140	23	122	20
Social Security (Allocation of Contributions) (Re-rating) Order 1988				
Changes in Class 1 allocation	-411	411	-359	359
Total increase in contributions	-520	437	-458	381

* The balance of the contributions for the tax year 1989-90 will not be received until after 31 March 1990.

APPENDIX 6

Analysis of contribution income in 1989-90* by class of contributor

Great Britain (£ million)

	Class 1			Class 2	Class 3	Class 4	Total
	Primary (employees)	Secondary (employers)	Total Class 1				
National Insurance Fund							
Gross contributions before contracted-out reductions	14740	19377	34117	396	27	397	34937
Less contracted-out contribution reductions	2179	3641	5820	-	-	-	5820
Net Contributions+	12561	15736	28297	396	27	397	29117
National Health Service	2015	1902	3917	73	5	89	4084
Employment Protection Allocation	1	1	2	-	-	-	2
Total contributions +	14577	17639	32216	469	32	486	33203

* These contributions are partly in respect of 1989-90 and partly in respect of earlier years.

\+ Before deducting statutory sick pay and statutory maternity pay estimated at £905 million and £245 million respectively, and also before deducting abatement of contributions on SSP and SMP estimated at £63 million and £17 million respectively.

Ch/ last year you and Mr Moore ~~[illegible]~~ met and corresponded on this subject, with letters copied to PM. We cd amend this letter to go to No 10, or (perhaps better, since she has not seen Moore letter) you cd raise at * bilateral? — OK*

* PSF [illegible] [illegible] [illegible] [illegible]-[illegible] [illegible] [illegible] This will need to cover NIF surplus position [illegible]

FROM: J P MCINTYRE
DATE: 24 October 1988

CHANCELLOR

cc Chief Secretary
Financial Secretary
Sir P Middleton
Mr Anson
Mr Phillips
Mr Scholar
Mr Culpin
Miss Peirson
Mr Gilhooly
Mr Riley
Mr Ramsden
Mr Speedy
Mr Tyrie
Mr Call
Mr Mace - IR

OK, [illegible]

2. It was a typo as we thought. Content with £10 increase for £105 limit? Otherwise content with draft? MPW.

NATIONAL INSURANCE CONTRIBUTIONS: AUTUMN REVIEW

Mr Moore's letter dated 22 October sets out his proposals. They are much as expected and, for the most part, in line with the simple re-rating described in Annex A to my minute of 20 October.

2. The exception is the proposal to uprate both the £105 and £155 reduced rate limits by £10 rather than £5. This was option d in my 20 October submission. Miss Wallace's minute of 21 October said that you wanted to consider either this option or option c under which only the £155 limit would be raised by £10.

3. Mr Moore's proposal is of course the more expensive option. The loss in NIF income would be some £110 million, instead of £50 million with option c. As we suspected, the PSDR cost of increasing the £105 limit by an extra £5 is not much offset by savings in income related benefits. Such savings would probably be no more than around £5 million, because many of the employees in this part of the income distribution are either single with no children (and therefore earning too much to qualify for income-related benefits) or else the spouses of partners whose earnings take their joint incomes beyond entitlement levels.

4. The issue therefore boils down to whether you want to forgo an extra £60 million or so of NIF income uprating the £105 limit by 9.5 per cent (as Mr Moore proposes) or by only 4.5 per cent, against the background of an earnings assumption for this year of 8.75 per cent. The result of the more expensive option would be to put, very roughly, an extra half million employees into the 7 per cent band instead of the 9 per cent band.

5. The other consideration is that Mr Moore has been relatively cooperative in producing proposals which, on the whole, raise very little difficulty in terms of your room for manoeuvre on the PSDR. Given his likely problems in defending the NIF surplus and the abolition of the Treasury supplement, you may feel that you can go along with him on a £10 uprating of the £105 band.

NHS Allocation

6. Mr Moore proposes to increase this by the maximum allowed under the current legislation (incidentally, the proposed allocation for employees is 1.05 per cent not 1.15 per cent as shown in the Annex to Mr Moore's letter; this was a typing error). He makes no mention of the possibility of putting provisions into his new Bill to enable larger annual increases in the allocation. Miss Wallace's minute said that you might want to amend the Bill at a later stage to this effect, but that there was no need to press the point now. Your reply to Mr Moore (which would also go to Mr Clarke) might say that you would want to keep this option open.

Longer term options

7. Mr Moore says he believes it essential that we now begin to look at the longer term options for reducing the NIF surplus and that he has asked his officials to begin preliminary work immediately. You may want to ask Mr Moore to make sure that his officials keep us in touch with their work.

8. I attach a draft reply.

JM

J P MCINTYRE

pl type final

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DRAFT LETTER TO

The Rt Hon John Moore MP
Secretary of State for Social Security
Department of Social Security
Richmond House
79 Whitehall
LONDON SW1A 2NS

NATIONAL INSURANCE CONTRIBUTIONS 1989-90

Thank you for your letter of 22 October.

I am ~~happy to agree to~~ content with the proposals set out in the Annex to your letter (though the NHS allocation for employees should of course be 1.05 per cent rather than 1.15 per cent). As for the longer term, I would be grateful if your officials could keep mine in touch with their work on the options for the NIF surplus. One option which I would not want to rule out is an increase in the maximum annual increase in the NHS allocation from the current 0.1 per cent. If there were agreement that this would be a sensible way of reducing the surplus, the necessary provisions might be included at a later stage in your new Social Security Bill, though we do not need to decide on that now.

I am sending a copy of this letter to Kenneth Clarke.

NIGEL LAWSON

chex.rm/mw/26 **CONFIDENTIAL**

FROM: MISS M P WALLACE
DATE: 25 October 1988

MR MCINTYRE

cc Chief Secretary
Financial Secretary
Sir P Middleton
Mr Anson
Mr Phillips
Mr Scholar
Mr Culpin
Miss Peirson
Mr Gilhooly
Mr Riley
Mr Ramsden
Mr Speedy
Mr Tyrie
Mr Call

Mr Mace - IR

NATIONAL INSURANCE CONTRIBUTIONS: AUTUMN REVIEW

The Chancellor was grateful for your minute of 24 October. He has now written to Mr Moore, as drafted.

2. As I mentioned to you, the Chancellor would also like to report the outcome of these correspondence to the Prime Minister when he sees her tomorrow, and would therefore be grateful for an aide memoire of the main points, which he could hand to her. In particular, he would like this to cover the NIF surplus problem.

3. The Chancellor has also commented that it is important that, in our presentation, the upratings of the reduced rate limits are not related to earnings, but rather to the RPI, rounded up.

MPW

MOIRA WALLACE

MP

CHANCELLOR OF THE EXCHEQUER

HONI SOIT QUI MAL Y PENSE

NICs

Ch/

You wanted an aide-memoire to hand to the PM. I wd suggest revising it to show existing limits as well as proposed – in fact I prefer DoSS table at X, bar the typos!

I think it might also be useful to have to hand the key figs on NHS allocation (eg ~~how~~ what % of NHS spending it "finances") given PM's interest.

Anything else you need?

MPW

octst1.27

CONFIDENTIAL

FROM: C SPEEDY
DATE: 25 October 1988

JM 25/10

1. MR MCINTYRE

2. CHANCELLOR

cc Chief Secretary
Sir P Middleton
Mr Anson
Mr Phillips
Mr Scholar
Miss Peirson
Mr Gilhooly
Mr Riley
Mr Ramsden
Mr Tyrie
Mr Call
Mr Mace IR

NATIONAL INSURANCE CONTRIBUTIONS: AIDE MÉMOIRE

I attach an aide memoire on national insurance contributions for use at your meeting tomorrow with the Prime Minister.

Chris Speedy

C SPEEDY

[redacted]octst1.27

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NATIONAL INSURANCE CONTRIBUTIONS: AUTUMN REVIEW

1. Main announcement for employers and employees:

    a. contribution rates unchanged.

    b. lower earnings limit raised from £41 per week to £43 (in line with single pension, as usual).

    c. upper earnings limit increased from £305 per week to £325 (maximum possible under legislation).

    d. Limits for reduced rate bands to be increased in line with prices and rounded up to nearest £5.

This gives following structure:

	Percentage NIC rate on all earnings	
Weekly earnings	Employees	Employers
Below £43	No NICs payable	
£43 to £74.99	5	5
£75 to £114.99	7	7
£115 to £164.99	9	9
£165 to £325	9	10.45
Above £325	9 on £325	10.45

2. Self employed: Class 2 stamp up 20p to £4.25. Increases for lower and upper profits limits in line with employees, in usual way. Class 4 rate unchanged, at 6.3 per cent.

3. Treasury Supplement to be abolished (was 5% of contributions this year, equal to £1½ billion). Supplement not needed in view of healthy state of National Insurance Fund. In view of increasing share of non-contributory benefits in total benefit expenditure, reasonable that tax payers contribution to national insurance benefits should now be abolished.

CONFIDENTIAL

4. NHS Allocation: Increase by maximum possible under legislation, 0.1 per cent, to 0.9 per cent (employers) and 1.05 per cent (employees).

5. National Insurance Fund: Surplus this year could be as much as £3 billion, bringing the balance in the fund to over £10 billion, nearly 40 per cent of outgo. (GAD's recommended minimum is 17½ per cent). Abolishing the Supplement and increasing the NHS allocation will reduce the surplus in 1989-90 to around £1½ billion, but balance will still increase. Surplus arises essentially from uprating benefits in line with prices, while contributions rise with earnings; recent increases in employment and the fall in unemployment have also tended to increase the surplus.

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 01-210 3000

000450

From the Secretary of State for Social ~~Services~~ Security

COVERING SECRET

received
8.15pm 25/10

Carys Evans Copy 1
Private Secretary to
The Rt Hon John Major MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
LONDON
SW1A

CHIEF SECRETARY	
REC.	25 OCT 1988
ACTION	Mr McIntyre,
COPIES TO	CX, Sir P Middleton
	Mr Anson, Mr Phillips
	Miss Peirson, Mr Burr
	Mr Ramsden, Mr Call

25 October 1988

Dear Carys

UPRATING STATEMENT

I enclose a copy of my Secretary of State's draft uprating statement. Clearly I would be grateful to hear urgently if you see any problems.

Yours

Stuart

STUART LORD Copy 2
Principal Private Secretary

draft 25.10.88

SOCIAL SECURITY BENEFITS UPRATING STATEMENT

With permission Mr Speaker, I wish to make a statement about the uprating of social security benefits. This will take place for most benefits in the week beginning 10th April next year, the first full week in the tax year. The provisions will apply in both Great Britain and Northern Ireland.

This year I have more increases than usual to announce. I am varying some of the increases to target them better on those who need them most. And I am pleased to announce some additions to some benefits to ensure that nobody will in future lose from the correction of the calculation error discovered in the RPI last year.

I propose to concentrate on the main features: I have set out the details in a full schedule which is now available in the Vote Office and which with permission Mr Speaker I shall publish in the Official Report.

The social security budget is huge: nearly £50 billion a year, one-third of all public expenditure. The increases I am announcing today amount to more than £2 billion. It is thanks to the growth in the economy and to the success of our economic policies that we are able to afford to bring this substantial help to pensioners and to families on benefit. It is right that we should continue to help in this way everyone who needs that help. But it is equally right that we should continue to target this massive expenditure, to ensure that it is concentrated to best effect, on those who need it most.

I should like to make it clear that this is where my priorities lie, in carrying forward the policies which I began last year, of re-directing increases within these large sums, to be most helpful to those in most need of help and to stimulate the proper responsibilities and personal efforts of those who do not need to rely on benefit. I shall be bringing forward further proposals on this shortly.

Contributory and similar benefits

I start with the main rates of contributory benefits and benefits for war pensioners, disabled people and others. The retail prices index published on 14 October showed an increase in prices over the 12 months to September 1988 of 5.9%. But the RPI was subject to an error which was corrected during this period. I am pleased to tell the House that these benefits will be uprated either by the published figure of 5.9% or by the amount arrived at by recalculating the benefit from the last correct rate in July 1986 using the actual movement in prices since then, whichever figure is the higher. I should like to emphasise that: we shall pay whichever is the higher figure from the two calculations which we have done for each benefit. If we had not done this, pensioner couples for example would using recalculated figures for past upratings have been 5p a week worse off. This more than fulfils the promise which my Hon Friend the Minister of State gave to the House last December, when the error was discovered. On top of the special payments of over £100m already made to pensioners and others earlier this year, I am now putting the benefit rates right for the future in the most favourable possible way. I am placing in the Library of the House full details of all the rates, and of all the calculations needed to carry out our intention to adopt a "best of both worlds" approach.

The basic retirement pension for a single person will thus rise by £2.45 a week, from £41.15 to £43.60, and for a married couple by £3.90 a week, from £65.90 to £69.80. Pensioners' total incomes, including their occupational pensions and savings, have grown steadily since 1979, by over 23 per cent, compared with a miserable rate of 0.6 per cent a year between 1974 and 1979. After allowing for inflation, pensioners' incomes have increased twice as fast as those of the population as a whole between 1979 and 1986. A range of Government policies have played their part in this record, and it is one of which we, as a Government, are proud.

Income-related benefits

I turn now to the income-related benefits. I restructured these benefits last April in a simpler scheme with new rates which is already proving much easier to understand and operate. I propose to uprate these benefits in the normal way by the published movement of prices less housing costs. In addition, in recognition of the error in the RPI, there will be further increases for pensioners, disabled people and families comparable to those for people on contributory benefits.

Overall these measures to take account of the RPI error will cost some £10m more than simply uprating by the published indices.

Public Sector Pensions

Public sector pensions will be increased by 5.9%.

Community charge

We are making a once and for all adjustment to income support levels to provide compensation for the contribution which recipients will have to make for the community charge. This will also compensate for the rates liability which recipients in England and Wales will face next year. To this end we are including £1.05 a week for single people under 25 and £2.10 for couples. I am leaving the figure for single people over 25 at £1.30, since that is the contribution they are currently receiving towards their domestic rate liability. This large group will thus be more than compensated over the longer term - a more than adequate settlement.

Social Fund

I wish to say a word about the operation of the Social Fund, also part of last April's reforms. I would like to pay tribute to social security staff for their splendid contribution to getting this innovative scheme under way. Contrary to the scaremongers who said that our offices would be swamped and unable to cope, expenditure on some items - while increasing - has not yet reached the levels which we first estimated. There have been alarmist allegations that we would cut budgets for next year. I am doing no such thing. I am taking the responsible approach that my hon Friends will expect. Despite the suggestions that the budget for this year will not be spent, the gross budget for next year for Great Britain will be just over £200 million, the same as it is for this year. A separate announcement will be made concerning Social Fund provisions in Northern Ireland.

Family benefits

Before I come to the other increases I have to announce hon Members will expect me to say something about child benefit. I have never made any secret of my belief that this benefit is not the most effective use of social security resources. It is paid to virtually every family in the country, no matter how large their income, at a cost of over £4½ billion this year, a tenth of all benefit expenditure on social security. Furthermore, if we were to uprate it across the board, most of the money would go to better-off families, including the very wealthiest. The poorest - those on income support - would gain nothing from the child benefit increase. Neither would those claiming family credit. That would be perverse targetting in the extreme.

I have decided therefore, to continue my policy of last year to leave the child benefit rate unchanged and to direct help instead where it is most needed, to the poorer families with children. I propose to put substantial additional resources into the benefits going to those families. I have already said that there will be a prices uprating of the child allowances in income support, family credit and housing benefit. That uprating will cost £135 million. But on top of that I am adding an extra 50p a week to all these child allowances. This will cost an additional £70m. The result is that we shall be directing over £200m to the greater benefit of some 3 million children in poorer families. These families will clearly be better off than if we had simply uprated Child Benefit. The rates for some children - those under 11 - will go up by as much as 9.3% well in excess of a simple uprating.

I know that some of my hon Friends have expressed concern about the position of families on low incomes. Unlike other parts of the benefit system, such as income support, when it comes to helping working families with children there is no cut off point at low income levels. Family credit goes well up the income scale, for example to those earning £9300 a year with 2 children aged 12 and 14, and even higher in some cases. I firmly believe that it is better to target resources in this way than to improve child benefit for all including those on the highest incomes.

<u>More help for disabled people</u>

I have further increases to announce, for disabled people, the elderly and families with young children. This is the 10th Anniversary, Mr Speaker, of Motability, the scheme set up to help disabled people to obtain cars on favourable terms. The scheme has been extended and has a fine record of success. It is now helping 60,000 people. I am pleased that this anniversary has been marked by the grant in May this year of a Royal Charter. I am very glad to announce today that the Government will be contributing £5m to a special trust fund which is being set up to celebrate the anniversary. Motability is a joint venture between Government and the private sector, and the clearing banks also will be contributing £5m. These new funds will increase five fold the money available for Motability to spend each year, and in particular will in future provide extra help for the more severely disabled people who need a specially adapted vehicle.

I shall also be bringing forward legislation to extend the upper age limit for mobility allowance from 75 to 80, as an interim measure pending our consideration of the series of reports on the OPCS survey of disabled people. All this is good news for disabled people.

More help with heating in cold weather

Finally Mr Speaker I propose useful and what I hope will be welcome improvements to the very good scheme we already have for giving help during periods of very cold weather to pensioners, disabled people and families with young children on income support. First, I am changing the rules for the period over which temperatures are measured. This will in future be <u>any</u> consecutive seven days, and not limited to seven days starting on a Monday. Secondly, I am raising from 2 to 5 the age below which a child can make a family eligible. That will extend the scope of the scheme to nearly half a million more families. I shall be amending the regulations recently laid before the House to include these improvements which, taken together, could double expenditure on this scheme if we have a very cold winter. It will be extra money well spent.

Conclusion

Mr Speaker this is a generous uprating, and one which directs massive resources to where they are most needed. My proposals amply fulfil our pledges to pensioners and others who receive long-term benefits. They provide substantial extra help to families on low incomes and to disabled people. And, with other measures which I shall be bringing forward, they encourage those who are able to do so to support themselves and their families.

Some 16 million claimants in all will benefit, at a total cost of over £2 billion. That is the full measure of the success of this Government.

FROM: M J SPACKMAN
DATE: 25 October 1988

1. MR ANSON

2. CHANCELLOR

copies attached for
Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary

cc: Sir Peter Middleton
Sir Terence Burns
Mr Byatt
Mr Monck
Mr Phillips
Mr Culpin
Mr Odling-Smee
Miss Peirson
Mr Turnbull
Mr Gieve

SOCIAL TRENDS 1989: ARTICLE ON SOCIAL ATTITUDES

The 1989 edition of Social Trends will be published in January. Recent issues of Social Trends have included standard chapters on Health, Transport and so on, plus one other article by an invited, non-official author or authors. For an invited article for 1989 the CSO have commissioned the paper on social attitudes attached below. It includes attitudes not only to personal behaviour, but also to the balance of tax and spending, and on health services.

2. The authors have a high reputation for competence and impartiality, and the article would contain the usual disclaimers about not being the work of CSO. However some of the reported findings would undoubtedly be picked up and used to criticise the Government.

3. This could apply in particular to table A.7 (page 16), which suggests that there is increasing public support for more tax financed spending on health, education and social benefits, and to some of the coverage of health, on pages 19 and 20.

4. The CSO are keen to publish the article as they consider it to be relevant material for Social Trends, as a document which tries to portray social change. There would also be dangers in withdrawing the article at this stage. At the same time it is questionable whether the Government should publish material of this kind.

5. The main arguments made <u>for</u> publication are

(i) Overall the article largely endorses Government policy. Good news of this kind is made more credible if the Government shows itself willing also to publish material which will be interpreted as critical.

(ii) The press asked last year whether CSO were under political pressure in selecting material for the book. They replied that the final selection of the material was their own. The CSO believe that being able to reply in this way helps the credibility of statistics published by Government.

(iii) Omission of the article would be likely to be noticed. There could be public accusations of "suppression".

(iv) The article is an update of one by the same authors published in Social Trends in 1985. The media at that time paid no noticeable attention to the reported attitudes on tax and public expenditure: they were more interested in the division of labour in households, which appears again in the present article.

(v) The declared public preference for more social spending is already well known. But this article for the first time sets it alongside related findings, which show (table A.8) that people feel that they themselves already pay more than enough tax.

6. The main arguments made <u>against</u> publication are:

(i) There is no need for the Government to score own goals.

(ii) Whatever the disclaimers, publication in Social Trends would give the findings very wide publicity, and a gratuitous political dimension.

(iii) The material can be (indeed will have been) published in non-official channels. The Government can make it clear that it is willing to help fund such work, and that there is no question of suppressing publication: the point is only about what is suitable for publication by Government.

(iv) The comments on health care could be published at an unfortunate time, probably shortly after the Health Review.

7. We understand that the article is being put to Department of Health Ministers today. DH officials on balance see publication as posing the lesser problem, but may suggest that it should be cleared with the Prime Minister.

8. Treasury officials see the substance as in places unhelpful, but not worse than that. The bigger issues are seen as whether or not Social Trends should be left on so light a rein, and whether it is expedient anyway to withdraw the article at this stage.

So they have been asked?

9. The authors have said that they would be perfectly willing to omit the unhelpful table A.7 (together with the helpful A.8) which would reduce potential media criticism of fiscal policy. But there is unlikely to be scope for further editorial change. (The authors have already agreed large cuts, where CSO felt the material was weak or referred to party politics.)

10. Options are to tell the CSO:

(i) that we see the balance of advantage lying with publication (perhaps with the omission of tables A.7 and A.8);

(ii) that we believe the article should be withdrawn.

11. There is no consensus among Treasury officials. Some of us see (i) as the safer course at this stage; there is also strong support for (ii).

MS

M J SPACKMAN

MP

chex.dg/docs/26.10.3

Pretty poor. I have ~~done a~~ suggested some changes, but the CST will no doubt wish to improve further — if he has time.

COVERING SECRET

FROM: JUDITH CHAPLIN
DATE: 26 October 1988

CHIEF SECRETARY

cc: Chancellor
FST
PMG
EST
Mr Tyrie
Mr Call

Ch/ The backbenchers' brief needs thorough checking + much beefing up, I fear. CST will get officials to crawl over it.

SOCIAL SECURITY UPRATING

Attached is a copy of the Parliamentary Brief which will go into the Whips' Office after the Social Security Uprating Statement.

2. I have suggested that one of the key points must cover child benefit. It should make clear that child benefit is not a "pledged" benefit, that it has not be uprated in line with inflation this year to enable more money to be targeted on poorer families and that poorer families would not gain from an uprating as their other benefits would be reduced pound for pound. The section in the body of the brief on child benefit will also be re-written so that it makes sense and covers the above point.

3. Melinda Libby is also making a number of changes where the sense is not clear or where the point needs expansion. These are marked on the brief.

4. Do you have any comments to make on the brief?

JC

JUDITH CHAPLIN

CCO Briefs in Whips' office

1988 UPRATING STATEMENT

BRIEFING TO MEMBERS

Key Points

* This briefing outlines the key issues relating to the October 1988 uprating statement. A full schedule of the revised benefit levels is available from the vote office.

Pensions and

~~[Pensions]~~

* All contributory benefit (including Unemployment Benefit) plus statutory sick and maternity pay will rise in line with inflation. The increase for a pensioner couple will be £3.90 a week.

others

* Extra money will be targeted at those in greatest need: the pensioners, low-income families and the disabled.

* Families on Family Credit will receive £70 million extra next year, over and above a full uprating for inflation.

Rather?

or some such

1. THE CONSERVATIVE APPROACH

benefits

~~will be save £2bn [illegible]~~

The Social Security budget is huge: nearly £50 billion a year, one third of all public expenditure. Next year the Government will increase the Social Security ~~budget~~ benefits by some £2 billion, and within that total, extra funds will be targeted at three priority groups:

?

(i) The elderly

(ii) Low-income families

(iii) The disabled.

It is thanks to the growth in the economy and to the success of our economic policies that the Government is able to bring this substantial help to those in genuine and greatest need.

It is right that the Government should continue to help in this way everyone who needs help, but it is also right that this massive expenditure is targeted to ensure that it is concentrated to best effect, on those who need it most.

* NB This will ~~mean a reduced budget in real terms thanks to successful Government policies which have brought down the level of unemployment~~.

v confused.

2. A BETTER DEAL FOR PENSIONERS

The basic State Pension will rise by 5.9% (the ~~published~~ rate of inflation over the 12 months to September 1988) or by the amount needed to restore the full value of the benefit after taking account of the minor RPI error in 1987, whichever is the greater.

The new pension rates will be:

single person - raised £2.45 from £41.15 to £43.60

married couple - raised £3.90 from £65.90 to £69.80

Income Related Benefit

Pensioners who have little or no other income other than the basic pension are of course entitled to additional income-related benefit such as Income Support or Housing Benefit. These benefits were restructured last April in a simpler scheme with new rates which is already proving much easier to understand and operate. These benefits will be uprated in the normal way by the published movement in prices less housing costs. ~~In addition, in recognition of the slight error in the RPI, there will be further increases for pensioners, disabled people and families comparable to those for people on contributory benefits.~~

must be better wording

Overall the measures to take account of the RPI error will cost some £10m more than simply uprating by the published indices.

There will be full compensation for the ~~[illegible]~~ hidden error in the RPI.

Exceptionally Cold Weather Payments

In future these payments will be made in respect of any consecutive 7 day period. The system by which such periods were measured from a Monday starting point only has been scrapped. Some 400,000 elderly people will also benefit from the two other changes to be made this forthcoming winter:

(i) 200,000 non-householders will become eligible for a cold weather payment.

(ii) 200,000 60-64 year olds will also be come eligible.

There is no comparison here with Labour's record: they don't have one because there were virtually no payments of this kind a decade ago.

Labour's Record on Pensions

Labour linked increases in pensions to the movement of prices or earnings, whichever was the greater. This commitment was not sustainable and was not honoured by Labour in 1976 or 1978, nor in their proposed uprating for 1979.

In addition, the Labour Government changed the basis of ~~based~~ their upratings ~~not on~~ from movements of prices or earnings which had actually occurred ~~but on~~ to trends which they officially expected to occur in the future. ~~when they moved~~ ~~Their change to the forecasting method meant that~~ Apart from being in itself an unfair method, this change meant that pensioners were not compensated at all for inflation during the 8 month period from March 1975, to November 1975 when prices rose by some 16 per cent.

stet ~~The forecasting method was wrong in five of the seven years~~ it was used, ~~resulting in enormous confusion. But~~ the Conservatives have returned to a fair and reliable method of uprating, on which pensioners and others can depend with absolute confidence.

~~By contrast~~ this Government has increased spending on the elderly In real terms by 27% overall. For the Government's record on Pensioners' Incomes see Appendix I.

3. HELPING THE FAMILY

Family Credit

The Government attaches ~~enormous~~ The full importance to providing ~~substantial~~ adequate financial help for low-income families. This year £5 billion in all will go to such families. In the vanguard of this assistance is Family Credit which was ~~deliberately placed~~ at the heart of last April's Social Security Reforms. This benefit ensures that working families do not lose out as they cross the threshold between unemployment and work and climb up the income ladder. is this true?

? [~~Unlike other parts of the benefit system, such as Income Support, when it comes to helping working families with children there is no cut off point at low income levels.~~] Family Credit goes well up the income scale, for example to those earning £9,300 a year with children aged 12 and 14, and even higher in some cases.

This year £70 million extra will be made available to the neediest families through income related benefits quite apart from the prices uprating of the child allowances in Income Support and Housing Benefit. This extra help will take the form of 50 pence a week which will be added across the entire range of these rates. The following represent two examples of how this increase will work in practice:

* This year the Income Support/Housing Benefit child allowances for 11-15 year olds is £26.10; next year this will be £17.35, an increase of no less than 7.8 per cent.

* This year's Family Credit rate stands at £11.40 for 11-15 year olds; next year this figure will increase to £12.90, an increase amounting to 13.2 per cent.

The exceptional cold weather payment scheme (see also section 2) is to be extended to families with children aged between 2 and 5. This will extend the scheme's coverage to nearly <u>500,000</u> more families. Children aged 5 or over are usually at school 5 days a week.

All in all we shall be directing over £200m to the greater benefit of some 3 million children in poorer families. The rates for some children - those under 11 - will go up by as much as 9.3%, well in excess of a simple uprating.

It would benefit all families (including the wealthiest) with the exception of the poorest, who would have their income-related benefits correspondingly reduced.

Child Benefit

Next year Child Benefit will ~~stay~~ remain at £7.25 a week per child. At £7.25 for 12 million eligible children 'CHB' costs £4.5 billion, 10 per cent of the total Social Security Budget. This benefit is not the most effective use of public resources and does not fulfil the Government's aim of targeting benefit where it is most needed. To uprate Child Benefit in line with inflation next year would cost £200 million. ~~Every family would gain, including the wealthiest.~~ ~~No benefit could scarcely be less helpful to low-income families on benefit who would not see a penny more as a higher level of CHB would eat away at the level of their benefits.~~

Not unless you also adjust IS ~~TE~~

That is the whole pt.

Instead substantial additional resources will be directed, as above, to the Child Allowances in Income Support and Family Credit. That is the only way to help the poorest families.

4. Help for the Disabled

Benefits for the disabled will be increased in the same way as contributory benefits; in addition the Government has announced the following:

Motability

(i) £5m will be contributed by the Government to a special trust fund. ~~in celebration of its 10th anniversary.~~ This scheme, which helps disabled people to buy cars on favourable terms, is now helping 60,000 people.

(ii) The upper age limit for Mobility Allowance will be raised from 75 to 80.

Spending on the long-term sick and disabled has increased by more than 80 per cent above inflation since 1979. (The record of the Government's succession assisting the disabled is contained in appendix 2)

5. Other Benefits

Social Fund

Despite Opposition disinformation and scare-mongering the Fund is working well. Local Social Security offices have coped admirably in dispensing both grants and loans. Expenditure on some items - while increasing - has not yet reached the levels first estimated. However, despite alarmist allegations that we would cut budgets the gross budget for Great Britain next year will be just over £200 million, the same as it is for this year.

Transitional Housing Benefit Scheme

This scheme was never intended to be anything other than temporary. From April 1989, as other benefits rise, most transitional payments will be reduced by £2 a week.

Income Support and the Community Charge

Last April's reforms included the principle that even people on Income Support should pay 20 per cent of their rates bill. This is designed to improve accountability in Local Government. Next year single people under 25 will be compensated for this by a £1.05 allowance built into Income Support; the figure for the over 25's will remain at £1.30, more than the £1.05 estimated to be the average 20 per cent contribution if the Community Charge were introduced next year.

Are these the figs?!

No!

Appendix I

Pensioners' Incomes:

* Pensioners' average total net incomes grew by 3.0 per cent a year on average between 1979-86 (23 per cent over the period compared with 0.6 per cent a year between 1974-9 (3 per cent over the whole period).

* OAPs' average income from savings increased by over 7.0 per cent a year in real terms between 1979-86 compared with a decrease of 3.4 per cent a year,between 1974-9.

* ~~Only~~ 60 per cent of pensioners had savings income in 1979: by 1986 the figure was 70 per cent.

* Pensioners' total incomes are now 60 per cent of those of people in work.

* In real terms, pensioners' incomes increased twice as fast as those of the population as a whole between 1979-865.

* Far fewer pensioners are on low-incomes - only 24 per cent were in the bottom fifth of the national income distribution in 1985, compared with 38 per cent in 1979.

* Between 1974 and 1986 the average OAP's income increased as follows;

Pensioners' Incomes	(£ per week at 1985 prices) 1974	1986
Total Social Security Benefits	41.80	55.80
Occupational Pensions	10.90	19.20
Savings Income	10.00	13.70
Earnings	12.60	6.70
Total Gross Income	75.30	95.40
Total Net Income	68.50	86.80

Appendix II

Help for disabled people

* Total expenditure on benefits for long-term sick and disabled people in 1987-88 amounted to some £6.75 billion.

* The value of Mobility Allowance has increased substantially even after inflation, it has been made non-taxable and total spending on the benefit has increased by about six times in real terms.

* Severe Disablement Allowance was introduced in November 1984 to replace the non-contributory invalidity pension. This did away with the greatly-resented household duties test.

* Eligibility for Invalid Care Allowance (ICA) has twice been extended - to non-relatives in 1981 and most recently to 70,000 married women, with payments backdated to December 1984.

* The 'Invalidity trap' which denied the long-term rate of supplementary benefit to 55,000 sick and disabled people was abolished in 1983. As a result, those receiving invalidity benefit are no longer prevented from transferring to the long-term rate of supplementary benefit.

* An extra £60 million on Income Support are eligible for the Severe Disability Premium of £24.75 a week; only 4,500 claimants got the old domestic assistance additions at an average amount of £6.35 a week.

* The Government, together with the Disability Income Group, has set up the Independent Living Fund to help very severely disabled people continue to live independently in their own homes.

* After housing costs were met, <u>one third</u> of sick and disabled people were on incomes below half average earnings in <u>1981</u>; by <u>1985</u> the figure had fallen to just over <u>one-fifth</u>.

* The OPCS Surveys, the first of which was published on the 28th September, will provide more information than ever before about the numbers, needs and circumstances of disabled people.

pso.jt/Sargent/2.26.10

From: S D H SARGENT

Date: 26 October 1988

PRINCIPAL PRIVATE SECRETARY

cc PS/Chief Secretary
Mr Anson
Mr Phillips
Mr Monck
Mr Scholar
Mr Luce
Mr Turnbull
Mr Hansford
Mr Sparkes

Ch - I think pps with you.

MPW.

CBI REPORT ON COMPETITIVE TENDERING

Sir Peter Middleton has seen Mr Turnbull's minute of 25 October to the Chancellor. He does not see why we should not point out to the CBI the shortcomings of their latest report. He wonders whether the Chancellor would like him to speak to Mr Banham about it.

S D H SARGENT
Private Secretary

Soc

FROM: J. ANSON
26th October, 1988.

CHANCELLOR

c.c. Chief Secretary
Financial Secretary
Paymaster General
Economic Secretary
Sir Peter Middleton
Sir Terence Burns
Mr. Byatt
Mr. Monck
Mr. Phillips
Mr. Culpin
Mr. Odling-Smee
Miss Peirson
Mr. Turnbull
Mr. Spackman
Mr. Gieve

Thanks.
This is outrageous.
On your recommendations,
I agree with (a), tho' Tables A7
& A8 should be deleted: these
and certain consequential changes
needed to the text, which I have
indicated; I agree with (b);
(c) is too weak: the CSO
must be told that
this practice must
cease.
N.

SOCIAL TRENDS 1989: ARTICLE ON SOCIAL ATTITUDES

Mr. Spackman's minute of 25th October below seeks your views on whether the CSO's annual publication "Social Trends" should contain a non-official article which they have commissioned from SCPR on Recent Trends in Social Attitudes. It has been their regular practice to commission an invited article of this kind, and this one would follow a similar article published four years ago. It would appear next January.

2. Mr. Spackman sets out the opposing arguments very clearly on pages 2 and 3 of his minute. There are two questions. First, whether "Social Trends" is the right medium for this kind of invited non-official article. Second, now that this one has been commissioned and written, whether it should be allowed to go ahead.

3. On the first point, my own view is that it is a mistake to include non-official articles of this kind. Whatever disclaimers are printed, the article will get a kind of semi-official status simply by the fact that the official editors have been prepared to include it. And it is doubly undesirable in the publications of an organisation like the CSO, whose purpose ought to be to provide objective (and not politically oriented) factual data.

4. I think, therefore, that CSO ought to be asked to reconsider their practice of including such articles. I do not believe that this need be construed as "political pressure in selecting material for the book" (Mr. Spackman's 5(ii)). It is simply asking them to stick to their job of publishing official material.

5. That leaves, however, the problem of the present article. The problem areas are the passages on public expenditure and taxation, and the NHS. It has become an established practice to commission such invited articles, and if one which has already been written is suppressed, that is likely to become known. The survey findings will be published by SCPR anyway. The "article which the Government suppressed" is likely to get more publicity than an article which appears in the normal course. Under these conditions, it is the findings unfavourable to the Government that will get more attention; whereas otherwise the press might pay more attention to the findings on AIDS and the role of men and women in the home.

6. There is a subsidiary question whether, if you feel for these reasons that we should let it go, we should ask for Tables A.7 and A.8 to be deleted. The choice is between both or neither. I am not sure that deletion helps, since Table A.8 is fairly stark, and provides a more effective counterweight to the message in Table A.7 than if that whole passage is reduced to words.

7. My own recommendation, therefore, would be:

(a) that this particular article should be allowed to go ahead;

(b) that there should be a very clear disclaimer that it is not the CSO's work;

(c) that the CSO should be asked to reconsider the practice of including invited articles.

JA

J. ANSON

cst.ps/10ce26.10

CONFIDENTIAL

cc:
Mr Anson
Mr H Phillips
Miss Peirson
Mr Turnbull
Mr McIntyre
Mr Ramsden
Mr Call

Treasury Chambers, Parliament Street, SW1P 3AG

Stuart Lord Esq
Principal Private Secretary to
The Rt Hon John Moore MP
Secretary of State for Social Security
Department of Social Security
Richmond House
79 Whitehall
London
SW1A 2NS

26 October 1988

Dear Stuart

UPRATING STATEMENT

The Chief Secretary was grateful to see your Secretary of State's draft uprating statement. He has the following comments and suggestions to make.

On the first page, the first sentence in the fourth paragraph might better refer to "almost one third" of all public expenditure. In the same paragraph, the third sentence could refer to the disabled as well as pensioners and families.

In the next paragraph, the Chief Secretary assumes that the further proposals referred to in the last sentence are the measures to tighten up the benefit regime for the unemployed which will be in the new Social Security Bill. In so far as details of these proposals have not yet been announced, the Chief Secretary believes it may be difficult for the Secretary of State to answer questions about them so that, on balance, it might be better if the sentence were omitted.

Contributory and Similar benefits

In the section dealing with the RPI error, the Chief Secretary wonders whether the statement might not make the important point that the published RPI figure overstates the actual movement in prices. Sentences on the following lines might be inserted after the third sentence:

> "This increase of 5.9 per cent corrects the error which was made earlier in the RPI. That is, 5.9 per cent includes both the correction for the error and the rise in prices since then. But to make quite sure that benefits are uprated by at least as much as they would have been if the error had not occured, they will be uprated either by the published figure of 5.9% or by the amount arrived at by recalculating the benefit from the last correct rate in July 1986 using the actual movement in prices since then, whichever figure is the higher."

In the next paragraph on page 2, the second sentence should refer to pensioners' total incomes having risen by "over 23 per cent on average in real terms,".

Income-related benefits
In the first paragraph, the Secretary of State might consider adding to the end of the third sentence "which are of course met separately through housing benefit". In the next paragraph, the point that everything reasonable is being done to put right the effect of the RPI error might be given added weight if an additional sentence were added on the following lines:

> "And in total my Department will be spending nearly £90 million a year in putting right the effect of the error on benefits".

Public Service Pensions
The reference to "public sector" pensions should be to "public service" pensions.

Community Charge
The Chief Secretary does not think that the first two sentences accurately reflect agreed policy. He would prefer them to read:

> "We are making a once and for all adjustment to income support levels to help meet the minimum 20 per cent contribution which recipients will have to make to the community charge. This will also provide help for the rates liability..."

The Chief Secretary also thinks that the figure of £1.05 should be briefly explained, by inserting a new sentence after the third sentence:

> "£1.05 is 20 per cent of the estimated average community charge if the charge were to apply in Great Britain as a whole next year."

"Assistance" rather than "contribution" may be better in the next sentence.

Social Fund
The Chief Secretary's view is that, while the inclusion of this passage must be essentially a matter for the Secretary of State's judgment, it would be wiser, on balance, to omit it.

Family Benefits
The Chief Secretary would like to suggest a slightly different presentation of the arguments, on the following lines.

> "I am glad to be able to announce a significant increase in benefits for poorer families. As a result of the special measures I shall explain in a moment, the rates payable for children in families receiving family credit and income support will go up by between 7 and 20 per cent, well in excess of a normal uprating.
>
> Before I give the details of these measures there is one important point I wish to explain and which is not, I think, well enough understood. Child benefit is widely presented as a universal benefit, with the implication that an increase in the rate will help all families. In practice, this is not so. The poorest families, those on income-related benefits, are unaffected by the rate of child benefit. They gain nothing from an uprating.
>
> I have therefore decided to continue my policy of last year of putting additional resources into the benefits which do help poorer families, namely family credit and income support. I have already said there will be a prices uprating of the child allowances in income support, family credit, and housing benefit. This will include the 45p which families claiming these benefits would have received from a full uprating of child benefit. That uprating, including the adjustment for child benefit, will cost £135 million. But on top of that I am adding an extra 50p a week to all these child allowances. The result is that we shall be directing over £200 million to the greater benefit of some 3 million children in poorer families, including an additional £70 million for the special 50p increase in allowances. These families will clearly be better off than if we had simply uprated child benefit, which I propose to leave unchanged.
>
> [Final paragraph of this section as now]"

Disabled
The Chief Secretary wondered whether the paragraph on mobility allowance might come before that on Motability. And he feels that rather more could be made of the extension of the age limit to 80.

Exceptionally Cold Weather
In the final sentence, rather than emphasise the possible doubling of expenditure on this scheme, the Chief Secretary suggests that the statement could refer to the substantial extra help which will be available to vulnerable groups, which might lead to higher expenditure in very cold winter - but this would be money very well spent.

Conclusions
In the penultimate sentence, "pensioners and others" might be preferable to "claimants".

Yours ever

Caitys

MISS C EVANS
Private Secretary

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 01-210 3000

From the Secretary of State for Social ~~Services~~ Security

cc Chancellor
Mr McIntyre

SECRET

Paul Gray Esq Copy No1
Private Secretary
10 Downing Street
London
SW1A

26 October 1988

Dear Paul

SOCIAL SECURITY UPRATING STATEMENT

I enclose a copy of the draft of my Secretary of State's statement.

Yours,

Stuart

Copy: Carys Evans (No 2)

STUART LORD
PRINCIPAL PRIVATE SECRETARY

DRAFT 26/10/88

SECRET

SOCIAL SECURITY BENEFITS UPRATING STATEMENT

With permission Mr Speaker, I wish to make a statement about the uprating of social security benefits. The necessary statutory instrument, which will bring my proposals into effect, will be laid before both Houses and debated shortly. Uprating will take place for most benefits in the week beginning 10th April next year, the first full week in the tax year. The provisions will apply in both Great Britain and Northern Ireland.

This year I have more increases than usual to announce. I am varying some of the increases to target them better on those who need them most. And I am pleased to announce some additions to some benefits to ensure that nobody will in future lose from the correction of the calculation error discovered in the RPI last year.

I propose to concentrate on the main features: I have set out the details in a full schedule which is now available in the Vote Office and which with permission Mr Speaker I shall publish in the Official Report.

The social security budget is huge: nearly £50 billion a year, almost one-third of all public expenditure. The increases I am announcing today amount to more than £2 billion. It is thanks to the growth in the economy and to the success of our economic policies that we are able to afford to bring this substantial help to pensioners, disabled people and to ~~less well off~~ poorer families ~~on benefit~~. It is right that we should continue to help in this way everyone who needs that help. But it is equally right that we should continue to target this massive expenditure, to ensure that it is concentrated to best effect, on those who need it most.

I should like to make it clear that this is where my priorities lie, in carrying forward the policies which I began last year, of re-directing increases within these large sums, to be most helpful to those in most need of help and to stimulate the proper responsibilities and personal efforts of those who do not need to rely on benefit.

Contributory and similar benefits

I start with the main rates of contributory benefits and benefits for war pensioners, disabled people and others. The retail prices index published on 14 October showed an increase in prices over the 12 months to September 1988 of 5.9%. But the RPI was subject to a minor error which was corrected during this period. This increase of 5.9% corrects the error which was made earlier in the RPI. That is, 5.9% includes both the correction for the error <u>and</u> the rise in prices since then. But to make quite sure that benefits are uprated by at least as much as they would have been if the error had not occurred, they will be uprated <u>either</u> by the published figure of 5.9% <u>or</u> by the amount arrived at by recalculating the benefit from the last correct rate in July 1986 using the actual movement in prices since then, whichever figure is the <u>higher</u>. I should like to emphasise that: we shall pay whichever is the higher figure from the two calculations which we have done for each benefit. If we had not done this pensioner couples for example would, using recalculated figures for past upratings, have been 5p a week worse off. This approach more than fulfills the promise which my rt hon Friend the Minister of State gave to the House last December, when the error was discovered. On top of the special payments of over £100m, already made to pensioners and others earlier this year, I am now putting the benefit rates right for the future in the most favourable possible way. I am placing in the Library of the House full details of all the rates, and of all the calculations needed to carry out our intention to adopt a "best of both worlds" approach.

The basic retirement pension for a single person will thus rise by £2.45 a week, from £41.15 to £43.60, and for a married couple by £3.90 a week, from £65.90 to £69.80. Pensioners' total incomes, including their occupational pensions and savings, have grown steadily since 1979, by over 23 per cent on average in real terms compared with a miserable rate of 0.6% a year between 1974 and 1979. After allowing for inflation, pensioners' incomes have increased twice as fast as those of the population as a whole between 1979 and 1986. A range of Government policies have played their part in this record, and it is one of which we, as a Government, are proud.

Income-related benefits

I turn now to the income-related benefits. I restructured these benefits last April in a simpler scheme with new rates which is already proving much easier to understand and operate. I propose to uprate these benefits in the normal way by the published movement of prices less housing costs. In addition, in recognition of the minor error in the RPI, there will be further increases for pensioners, disabled people and families comparable to those for people on contributory benefits.

X

Overall these measures to take account of the RPI error will cost some £10m more than simply uprating by the published indices.

Public Sector Pensions

Public service pensions will be increased by 5.9%. [Expand]

Community charge

We are making a once and for all adjustment to income support levels to help meet the minimum 20% contribution which recipients will have to make to the community charge. This will also provide help for the rates liability which recipients in England and Wales will face next year. To this end we are including £1.15 a week for single people under 25 and £2.30 for couples. I am leaving the figure for single people over 25 at [its present level of] £1.30, since that is the assistance they are currently receiving towards their domestic rate liability. This ~~large~~ group will thus be more than compensated over the longer term - a more than adequate settlement.

Social Fund

I wish to say a word about the operation of the Social Fund, also part of last April's reforms. I would like to pay tribute to social security staff for their splendid contribution to getting this innovative scheme under way. Contrary to the scaremongers who said that our offices would be swamped and unable to cope, expenditure on some items - while increasing - has not yet reached the levels which we first estimated. There have been alarmist allegations that we would cut budgets for next year. I am doing no such thing. I am taking the responsible approach that my hon Friends will expect. Despite the ~~suggestions~~ that the budget for this year will not be fully spent, the gross budget for next year for Great Britain will be just over £200 million, the same as it is for this year. A separate announcement will be made concerning Social Fund provisions in Northern Ireland. ?

poss. L.L.'s

X

– [ie rules being interpreted too strictly?, they will say]

Family benefits

Before I come to the other increases I wish to announce hon Members will expect me to say something about child benefit. I have never made any secret of my belief that this benefit is not the most effective use of social security resources. It is paid to virtually every family in the country, no matter how large their income, at a cost of over £4 1/2 billion this year, a tenth of all benefit expenditure on social security. Furthermore, if we were to uprate it across the board, most of the money would go to better-off families, including the very wealthiest. The poorest - those on income support - would gain nothing at all from the child benefit increase. Neither would those claiming family credit. That would be perverse targetting in the extreme.

I have decided therefore, as last year, to ~~to continue my policy of last year to~~ leave the child benefit rate unchanged and to direct help instead where it is most needed, to the lower income families with children. I propose to put substantial additional resources into the benefits going to those families. I have already said that there will be a prices uprating of the child allowances in income support, family credit and housing benefit. That uprating will cost £135 million. But on top of that I am adding an extra 50p a week to all these child allowances. This will cost an additional £70m. The result is that we shall be directing over £200m to the greater benefit of some 3 million children in lower income families. These families will clearly be better off than if we had simply uprated Child Benefit. The rates for some children - those under 11 - will go up by as much as 9.3%; well in excess of a ~~simple~~ normal uprating.

avoid use of word 'policy'

~~What abt. next yr? not our policy to put additional resources → FC/IS every year~~

I know that some of my hon Friends have expressed concern about the position of families on low incomes. Unlike other parts of the benefit system, such as income support, when it comes to helping working families with children there is no cut off point at low income levels. Family credit goes well up the income scale, for example to those earning £9300 a year with 2 children aged 12 and 14, and even higher in some cases. I firmly believe that it is better to target resources in this way than to improve child benefit for all including those on the highest incomes.

More help for disabled people

I have further increases to announce, for disabled people, the elderly and families with young children. This is the 10th Anniversary, Mr Speaker, of Motability, the scheme set up to help disabled people to obtain cars on favourable terms. The scheme has been extended and has a fine record of success. It is now helping 60,000 people. I am pleased that this anniversary has been marked by the grant in May this year of a Royal Charter. I am very glad to announce today that the Government will be contributing £5m to a special trust fund which is being set up to celebrate the anniversary. Motability is a joint venture between Government and the private sector, and the clearing banks also will be contributing £5m. These new funds will increase five fold the money available for Motability to spend each year, and in particular will in future provide extra help for the more severely disabled people who need a special adapted vehicle.

I shall also be bringing forward legislaiton to extend the upper age limit for mobility allowance from 75 to 80, as an interim measure pending our consideration of the series of reports on the OPCS survey of disabled people. All this is good news for disabled people.

More help with heating in cold weather

Finally Mr Speaker I propose useful and what I hope will be welcome improvements to the very good scheme we already have for giving help during periods of very cold weather to pensioners, disabled people and families with young children on income support. First, I am changing the rules for the period over which temperatures are measured. This will in future be any consecutive seven days, and not limited to seven days starting on a Monday. Secondly, I am raising from 2 to 5 the age below which a child can make a family eligible. That will extend the scope of the scheme to nearly half a million more families. I shall be amending the regulations recently laid before the House to include these improvements which, taken together, could double expenditure on this scheme.It will be extra money well spent.

Conclusion

Mr Speaker this is an uprating which directs massive resources to where they are most needed. My proposals amply fulfil our pledges to pensioners and others who receive long-term benefits. They provide substantial extra help to families on low incomes and to disabled people. And, with other measures which I shall be bringing forward, they encourage those who are able to do so to support themselves and their families. Some 16 million pensioners and others in all will benefit, at a total cost of over £2 billion. That is the full measure of the success of this Government.

aef1.cp/84.1/external/Speedy/1

Covering CONFIDENTIAL

pmp

FROM: C SPEEDY
DATE: 26 October 1988

CHANCELLOR

cc: Chief Secretary
Sir P Middleton
Mr Anson
Mr Phillips
Mr Scholar
Miss Peirson
Mr Gilhooly
Mr McIntyre
Mr Riley
Mr Ramsden
Mr Tyrie
Mr Call
Mr Mace IR

Ch/ revised. one for you, and one for you to hand over (behind)

MPW

NATIONAL INSURANCE CONTRIBUTIONS: AIDE MEMOIRE

I attach a revised version aide memoire on national insurance contributions for use at your meeting today with the Prime Minister.

Chris Speedy

C SPEEDY

CONFIDENTIAL

NATIONAL INSURANCE CONTRIBUTIONS: AUTUMN REVIEW

1. Main announcement for employers and employees:

   a. contribution rates unchanged.

   b. lower earnings limit raised from £41 per week to £43 (in line with single pension, as usual).

   c. upper earnings limit increases from £305 per week to £325 (maximum possible under legislation).

   d. limits for reduced rate bands to be increased in line with prices and rounded up to nearest £5.

2. Self employed: Class 2 stamp up 20p to £4.25. Increases for lower and upper profits limits in line with employees, in usual way. Class 4 rate unchanged, at 6.3 per cent.

3. Changes summarised in attached table.

4. Treasury Supplement to be abolished (was 5% of contributions this year, equal to £1½ billion). Supplement not needed in view of healthy state of National Insurance Fund. In view of increasing share of non-contributory benefits in total benefit expenditure, reasonable that tax payers contribution to national insurance benefits should now be abolished.

5. NHS Allocations: Increase by maximum possible under legislation, 0.1 per cent, to 0.9 per cent (employers) and 1.05 per cent (employees). About 15 per cent of NHS expenditure is financed by the allocation. The percentage has grown in recent years but is below the peak of 17 per cent reached in 1962-63.

6. National Insurance Fund: Surplus this year could be as much as £3 billion, bringing the balance in the fund to over £10 billion, nearly 40 per cent of outgo. The surplus as a percent of outgo was last at this level in 1977-78. This surplus has built up in recent years from a low of 22% as a percent of outgo in 1982-83. (GAD's recommended minimum is 17½ per cent). Abolishing the Supplement and increasing the NHS allocation will reduce the surplus in 1989-90 to around £1½ billion, but balance will still increase. Surplus arises essentially from uprating benefits in line with prices, while contributions rise with earnings; recent increases in employment and the fall in unemployment have also tended to increase the surplus.

CHANGES IN CONTRIBUTION RATES

Class 1

RATE		PRESENT BAND		PROPOSED BAND (rounded to nearest£5)	
employers	employees				
5%	5%	£ 41 (LEL)	£ 69.99	£ 43	£ 74.99
7%	7%	£ 70	£104.99	£ 75	£114.99
9%	9%	£105	£154.99	£115	£164.99
10.45%	9%	£155	£305 (UEL)	£165	£325
10.45%	Nil	above £305		above £325	

	PRESENT	PROPOSED
Class 2	£4.05/week	£4.25/week
Small earnings exemption	£2,250	£2,350
Class 3 (Voluntary)	£3.95	£4.15
Class 4		
Lower profits limit	£4,750	£5,050
Upper profits limit	£15,340	£16,900
NHS allocation		
Employees:	0.95%	1.05%
Employers:	0.80%	0.90%

Chancellor's Office 12/2

STEPHEN LUXFORD

THE GUARDIAN

Labour rub salt in wound

7

John Carvel
Chief Political Correspondent

LABOUR'S social security spokesman Mr Robin Cook tried last night to prise open a second rift between the Government and Tory backbenchers anxious about plans to freeze child benefit.

He pointed out that the Social Security Secretary, Mr John Moore, has also put in an overall spending bid which fails to keep his departmental budget in line with inflation.

Mr Cook said Mr Moore has counted a £600 million undershoot in housing benefit claims as a windfall to pay for inflationary growth in other parts of his programmes.

Tory backbench concern over housing benefit changes threatened a damaging revolt in the spring which the Government bought off with transitional arrangements to ease the plight of some poor home owners.

Mr Cook is now alerting the Tories that the housing benefit cuts were much more severe than Mr Moore expected. Mr Moore's benefit statement to the Commons will recognize this cut retrospectively as well as freezing child benefit for a second year, Mr Cook said.

Mr Moore's original bid to the Treasury was £200 million below the estimate for 1988/9 in last year's public spending white paper, although this shortfall has been eliminated in subsequent negotiations.

Mr Cook pointed out that inflation had then been estimated at 4.5 per cent; it was now running at about 6 per cent. Most department spending rises automatically with inflation.

[A clear leak]

1. ~~PZ~~

2. [illegible]

LATES

chex.md/aa/53 RESTRICTED

FROM: A C S ALLAN

DATE: 27 October 1988

MR ANSON

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
Sir P Middleton
Sir T Burns
Mr Byatt
Mr Monck
Mr Phillips
Mr Culpin
Mr Odling-Smee
Miss Peirson
Mr Turnbull
Mr Spackman
Mr Gieve

SOCIAL TRENDS 1989: ARTICLE ON SOCIAL ATTITUDES

The Chancellor was grateful for your minute of 26 October. He thinks it is appalling that CSO should only have consulted Ministers about this at such a late stage. On your recommendations:

(a) He agrees with you that this particular article should be allowed to go ahead, though tables A7 and A8 should be deleted; there are certain consequential changes needed to the text - I attach copies of pages 16 and 17 with the amendments marked.

(b) The Chancellor also agrees that there should be a very clear disclaimer that this is not the CSO's work.

(c) Finally, he feels that the CSO must be told that the practice of including invited articles must cease.

ACSA

A C S ALLAN

(The overwhelming majority)

those who feel that income tax levels are acceptable and ~~those~~ who feel they are too high.

Table A.8 Attitudes to taxation levels in own household, 1986

Great Britain Percentages

Do you consider the amount of income tax that your household has to pay is ...	
... much too high	20
... too high	41
... about right	24
... too low	0.2
... much too low?	-
Can't choose/ doesn't apply	14
Weighted sample sizes	1,321

Moreover, as we reported in *Social Trends* 15, a very large majority (in 1987 over three-quarters of people in all income brackets) feels that the less well off in particular pay too much in taxes. Since then the basic income tax level has, of course, been reduced, but it is highly unlikely - given the overwhelming majorities - that attitudes have changed much.

Another background question we ask is about people's priorities, if any, for extra government spending. Ten items of public expenditure are shown to respondents on a card; they include defence, police and prisons, housing, education, social security, health, and so on. The proportion naming health as first priority has always been higher than that for any other item; even so, it has risen from 37 per cent in 1983 to 52 per cent in 1987. Indeed, almost four in every five respondents (79 per cent) now give health first *or second* priority from among the ten items offered. Education, the second choice, comes way behind (55 per cent), while "help for industry" has plummeted

Public spending and the National Health Service

As part of the background to our questions about attitudes to social provision of one kind or another, we ~~have~~ asked respondents each year to weigh the claims of public expenditure on health, education and welfare against the claims of tax cuts. Although attitudes are slightly ambivalent, the trends are clear, as Table A.7 shows.

Table A.7 Public expenditure *versus* taxation, 1983 - 87

Great Britain Percentages

	1983	1984	1985	1986	1987
If the government had to choose, should it ...					
reduce taxes and spend less on health, education and social benefits,	9	6	6	5	3
or keep taxes and spending on those services at the same level as now,	54	50	43	44	42
or increase taxes and spend more on health, education and social benefits?	32	39	45	46	50
Weighted sample sizes (numbers)	1,719	1,645	1,769	3,066	2,766

The proportion of respondents favouring rises in taxes to pay for increased social provision has grown - from just under a third in 1983 to one half in 1987. People may, of course, be plumping for what they think is the most 'socially acceptable' option of the three offered. Even so, around 90 per cent of the population, in each of the five readings, say they are against reductions in social spending, even in return for tax cuts.

On the other hand, almost nobody felt, when we asked them in 1986, that *they* were currently undertaxed. ~~As Table A.8 shows,~~ People divide broadly into

Moore

CHANCELLOR OF THE EXCHEQUER

Thanks. Clearly important to get this sorted out.

Ch

Family credit rates for children were uprated by

4.7% ROSSI

+ 45p compensation for no CB uprating

+ 50p extra targetted help.

(see sums @ back of this string).

Mr Moore's statement is obscure to say the least. Paul McIntyre tells me he & CST tried to get the 45p point in but DSS said 'too complicated'.

Paul M is checking whether 45p is in regulations (he thinks //over

it is). And generally
getting chapter & verse
on this

A

BF 25/11

Social Security Benefits (Uprating)

3.30 pm

The Secretary of State for Social Security (Mr. John Moore): With permission, Mr. Speaker, I wish to make a statement about the uprating of social security benefits. The necessary statutory instrument, which will bring my proposals into effect, will be laid before both Houses and debated. Uprating will take place for most benefits in the week beginning 10 April next year, the first full week in the tax year. The provisions will apply in both Great Britain and Northern Ireland.

This year I have more increases than usual to announce. I am varying some of the increases to target them better on those who need them most; and I am pleased to announce additional help for claimants to ensure that we are more than correcting for the error discovered in the retail prices index last year.

I propose to concentrate on the main features. I have set out the details in a full schedule which is now available in the Vote Office and which, with permission, Mr. Speaker, I shall publish in the *Official Report*.

The social security budget is huge; nearly £50 billion a year, almost one third of all public expenditure. The increases I am announcing today amount to more than £2 billion. It is thanks to the growth in the economy and to the success of our economic policies that we are able to afford to bring this substantial help to pensioners, disabled people and lower income families on benefit. It is right that we should continue to help in this way everyone who needs that help, but it is equally right that we should continue to target this massive expenditure, to ensure that it is concentrated to best effect, on those who need it most. I should like to make it clear that this is where my priorities lie, in carrying forward the policies which I began last year, of redirecting increases within these large sums, to be most helpful to those in most need of help and to stimulate the proper responsibilities and personal efforts of those who do not need to rely on benefit.

I start with the main rates of contributory benefits and benefits for war pensioners, disabled people and others. The retail prices index published on 14 October showed an increase in prices over the 12 months to September 1988 of 5·9 per cent. But the RPI was subject to a minor error which was corrected during this period. That increase of 5·9 per cent. corrects the error which was made earlier in the RPI. That is, 5·9 per cent. includes both the correction for the error and the rise in prices since then, but to make quite sure that benefits are uprated by at least as much as they would have been if the error had not occurred, they will be uprated either by the published figure of 5·9 per cent. or by the amount arrived at by recalculating the benefit from the last correct rate in July 1986, using the adjusted movement in prices since then, whichever figure is the higher. I should like to emphasise that. We shall pay whichever is the higher figure from the two calculations which we have done for each benefit. If we had not done this, pensioner couples, for example, would, using recalculated figures for past upratings, have been 5p a week worse off. This approach more than fulfils the promise which my hon. Friend the Minister of State gave to the House last December, when the error was discovered.

On top of the special payments of over £100 million already made to pensioners and others earlier this year, I am now putting the benefit rates right for the future in the most favourable possible way. I am placing in the Library of the House full details of all the rates, and of all the calculations needed to carry out our intention to adopt a "best of both worlds" approach.

The basic retirement pension for a single person will thus rise by £2·45 a week, from £41·15 to £43·60, and for a married couple by £3·90 a week, from £65·90 to £69·80. Pensioners' total incomes, including their occupational pensions and savings, have grown steadily since 1979, by over 23 per cent. on average in real terms compared with a miserable rate of 0·6 per cent. a year between 1974 and 1979. After allowing for inflation, pensioners' incomes have increased twice as fast as those of the population as a whole between 1979 and 1986. A range of Government policies has played its part in this record, and it is one of which we, as a Government, are proud.

Public service pensions will be increased by 5·9 per cent. This fulfils the pledge given by the Paymaster General to correct the RPI error.

I turn now to the income-related benefits. I restructured these benefits last April in a simpler scheme with new rates which is already proving much easier to understand and operate. I propose to uprate these benefits in the normal way by the published movement of prices less housing costs. In addition, in recognition of the minor error in the RPI, there will be further increases for pensioners, disabled people and families comparable to those for people on contributory benefits.

Overall, these measures to take account of the RPI error will cost some £10 million more than simply uprating by the published indices.

We are making a once-and-for-all adjustment to income support levels to help meet the minimum 20 per cent. contribution which recipients will have to make to the community charge. This will also provide help for the rates liability which recipients in England and Wales will face next year. To this end, we are including £1·15 a week for single people under 25 and £2·30 for couples. I am leaving the figure for single people over 25 at £1·30, the present level, since that is the assistance they are currently receiving towards their domestic rate liability. This significant group will thus be more than compensated over the longer term—a more than adequate settlement.

Before I come to the other increases I wish to announce, hon. Members will expect me to say something about child benefit. I have never made any secret of my belief that this benefit is not the most effective use of social security resources. It is paid to virtually every family in the country, no matter how large their income, at a cost of over £4·5 billion this year, a tenth of all benefit expenditure on social security. Furthermore, if we were to uprate it across the board, most of the money would go to better-off families, including the very wealthiest. The poorest—those on income support—would gain nothing at all from the child benefit increase; neither would those claiming family credit. That would, I believe, be perverse targeting in the extreme.

I have decided, therefore, as last year, to direct help where it is most needed, to the lower income families with children. I propose to put substantial aditional resources into the benefits going to those families. I have already said that there will be a prices uprating of the child allowances and premiums in income support, family credit and housing benefit. That uprating will cost £135 million. But, on top of that, I am adding an extra 50p a week to all these child allowances. This will cost an additional £70 million. The result is that we shall be directing over £200 million to the greater benefit of some 3 million children in lower income families. The rates for some children—for example those under 11—will go up by as much as 9·3 per cent. well in excess of a normal uprating. These families will clearly be better off than if we had simply uprated child benefit which I propose to leave unchanged.

I know that some of my hon. Friends have expresed concern about the position of families on low incomes. Unlike other parts of the benefit system, however, such as income support, when it comes to helping working families with children, there is no cut-off point at low income levels. Family credit goes well up the income scale, for example, to those people earning £9,300 a year with two children aged 12 and 14, and even higher in some cases. I firmly believe that it is better to target resources in this way than to improve child benefit for all, including those on the highest incomes.

I have further increases to announce, for disabled people, the elderly and families with young children. This is the tenth anniversary, Mr. Speaker, of Motability, the scheme set up to help disabled people to obtain cars on favourable terms. The scheme has been extended and has a fine record of success. It is now helping 60,000 people. I am pleased that this anniversary has been marked by the grant in May this year of a Royal charter. I am very glad to announce today that the Government will be contributing £5 million to a special trust fund which is being set up to celebrate the anniversary. Motability is a joint venture between Government and the private sector, and the clearing banks also will be contributing £5 million. These new funds will increase fivefold the money available for Motability to spend each year, and in particular will in future provide extra help for the more severely disabled people who need a specially adapted vehicle.

I shall also be bringing forward legislation to extend the upper age limit for mobility allowances from 75 to 80. This will be an interim measure pending our consideration of the series of reports on the OPCS survey of disabled people. All this is good news for disabled people.

Finally, I propose useful and what I hope will be welcome improvements to the very good scheme that we already have for giving help during periods of very cold weather to pensioners, disabled people and families with young children on income support. First, I am changing the rules for the period over which temperatures are measured. This will in future be any consecutive seven days, and not limited to seven days starting on a Monday. Secondly, I am raising from two to five the age below which a child can make a family eligible. That will extend the scope of the scheme to nearly half a million more families. I shall be amending the regulations recently laid before the House to include these improvements which, taken together, could double expenditure on the scheme. I believe that it will be extra money well spent.

This is an uprating which directs massive resources to where they are most needed. My proposals amply fulfil our pledges to pensioners and others who receive long-term benefits. They provide substantial extra help to families on low incomes and to disabled people. And, with other measures which I shall be bringing forward, they encourage those who are able to do so to support themselves and their families. Some 16 million pensioners and others in all will benefit, at a total cost of over £2 billion. That is the full measure of the success of this Government.

Mr. Robin Cook (Livingston): The Secretary of State began by saying that the increase that he was announcing would result in an increase in expenditure of over £2 billion. The right hon. Gentleman will recall that the planning figures in January's White Paper showed the social security budget increasing by over £2·5 billion. Is he telling the House that in a year in which inflation has doubled he is to spend less on social security than the planning figures in January? If so, will he explain why he has secured less than his planning figures in a public expenditure round in which his colleagues have secured over £3,000 million for other expenditure?

The Secretary of State has announced that for the sixth year running pensions are not to be uprated by a fraction of 1 per cent. more than the rise in prices. I am sure that pensioners will be grateful that he has secured for them the additional 5p to which he referred. Will he also confirm that if his Government had not smashed the link with earnings the married couple's pension would, after today, be worth £18 per week more than he has announced? Is that not the measure by which his Government have cheated pensioners of their share of Britain's wealth?

The Secretary of State announced that income support is to increase by 4·7 per cent. Is he not aware that one in five of those on income support will not receive even that increase? Will he confirm that half a million of the long-term unemployed, disabled and pensioners who found their benefit cut last April received no increase last year and will receive no increase from this announcement? Is that the way in which the Government protect the income of some of the poorest people in Britain?

Mr. Geoffrey Dickens (Littleborough and Saddleworth): The hon. Gentleman did not listen.

Mr. Cook: I not only listened to the statement; I read it.

I invite the Secretary of State to convey our thanks to the Chief Secretary of the Treasury for having obliged him to settle for higher compensation for the poll tax demand than he himself bid for. Will he confirm to the House that the figures he has announced to the House mean that the Government are expecting the average poll tax demand to be £299? That is one fifth higher than any of his colleagues has so far admitted—a clear admission that the poll tax is not only unjust but that it will be expensive and inefficient as a tax as well.

Will the Secretary of State confirm that he is seriously proposing to increase housing benefit by reference to the RPI less housing costs? How does he expect to explain to housing benefit claimants that it makes sense to increase their benefit without reference being made to the rise in rents and rates?

The Secretary of State has announced an extra £70 million for family credit and child additions. Will he concede that the amount that he has saved by freezing child benefit is £206 million, and that therefore he is pocketing £136 million at the expense of child support? Will he admit that current expenditure on family credit is well below planning figures because the take-up rate is a disaster? Does he recall promising the House that the family credit take-up rate would be 60 per cent.? Will he

[Mr. Moore]

(a) Hostels	70·00	70·00
Maximum special increases	17·50	17·50
(b) Residential care homes		
old age	130·00	140·00
very dependent elderly	155·00	155·00
mental disorder (not handicap)	130·00	140·00
drug/alcohol dependence	130·00	140·00
mental handicap	160·00	165·00
physical disablement		
(under pension age)	190·00	200·00
(over pension age)	130·00	140·00
others	130·00	140·00
maximum Greater London increase	17·50	23·00
(c) Nursing homes		
mental disorder (not handicap)	185·00	195·00
drug/alcohol dependence	185·00	190·00
mental handicap	200·00	205·00
terminal illness	230·00	235·00
physical disablement		
(under pension age)	230·00	235·00
(over pension age)	185·00	190·00
others (including elderly)	185·00	190·00
maximum Greater London increase	17·50	23·00
Allowances for personal expenses for claimants in hostels		
Lower		
single	10·30	11·95
couple	20·60	23·90
Higher		
single	11·50	13·25
couple	23·00	26·50
Dependent children		
under age 11	3·45	4·10
age 11-15	5·30	6·05
age 16-17	6·20	7·00
age 18	10·30	11·95
Private and voluntary residential care and nursing homes	9·55	10·05
Dependent children allowances above apply except—age 18	9·55	10·05
Hospital and local authority (Part III) accommodation	8·25	8·70
The Polish Home Ilford Park Housing costs	11·50	13·25
Deduction for non-dependants		
aged 18 or over and in remunerative work	8·20	9·15
others, age 18 or over or on Income support and over 25	3·45	3·85
Low earnings threshold	49·20	52·10
Deductions for direct payment of fuel debt		
5 per cent. rate	1·70	1·75
10 per cent. rate	3·35	3·50
Arrears of housing costs	1·70	1·75
Reduction in benefit for strikers	17·70	18·50

Disregards		
Standard earnings	5·00	5·00
Higher earnings	15·00	15·00
War pensions	5·00	5·00
Voluntary and charitable payments	5·00	5·00
Students covenanted income	5·00	5·00
Income from boarders	35·00	35·00
Expenses for subtenants		
Furnished or unfurnished	4·00	4·00
Where heating is included, additional	6·70	7·00
Housing Benefit		
Amenity deductions for		
heating	6·70	7·00
hot water	0·80	0·85
lighting	0·50	0·55
cooking	0·80	0·85
all fuel	8·80	9·25
Non-dependant deductions		
Rent rebates and allowances		
aged 18 and over and in remunerative work	8·20	9·15
others aged 18 or over or on income support and over 25	3·45	3·85
Rate rebates, aged 18 or over	3·00	3·35
Low earnings threshold	49·20	52·10
Expenses for subtenants		
Furnished or unfurnished	4·00	4·00
Where heating is included, additional	6·70	7·00
Earnings disregards where disability premium awarded	15·00	15·00
various specified employments	15·00	15·00
lone parent	15·00	15·00
one of a couple in employment	10·00	10·00
single claimant	5·00	5·00
Other income disregards		
charitable or voluntary payments	5·00	5·00
war pensions	5·00	5·00
students covenanted income	5·00	5·00
Family Credit		
Adult Credit	32·10	33·60
Child Credit		
under age 11	6·05	7·30
age 11-15	11·40	12·90
age 16-17	14·70	16·35
age 18	21·35	23·30
Disregards		
war pensions	5·00	5·00
voluntary and charitable payments	5·00	5·00
students covenanted income	5·00	5·00
Expenses for subtenants		
furnished or unfurnished	4·00	4·00
where heating is included, additional	6·70	7·00
Applicable amount (ie taper threshold level)	51·45	54·80
Maternity Payment	85·00	85·00

32·10 + 4·7% = 33·60
6·05 + 4·7% + 45p + 50p = 7·30
11·40 + 4·7% + 45p + 50p = 12·90
etc

PAYMASTER GENERAL

FROM: MISS S J FEEST
DATE: 27 October 1988

PS/CHANCELLOR

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
Sir Peter Middleton
Sir Terence Burns
Mr Anson
Mr Byatt
Mr Monck
Mr Phillips
Mr Culpin
Mr Odling-Smee
Miss Peirson
Mr Turnbull
Mr Spackman
Mr Gieve

SOCIAL TRENDS 1989: ARTICLE ON SOCIAL ATTITUDES

The Paymaster General has seen Mr Anson's minute of 26 October and commented:

> "If votes are being counted, I would publish (even including Tables A7 and A 8, whose paradox reflects the subjective unreliability of such research).
>
> As to why I would publish, this is believed to be a self-confident Administration".

Susan J Feest.

MISS S F FEEST
On behalf of PS/PMG

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 01-210 3000

From the Secretary of State for Social ~~*Services*~~ Security

CH/EXCHEQUER

REC.	28 OCT 1988
ACTION	MR McINTYRE
COPIES TO	PS/CST, PS/FST, SIR P MIDDLETON
	MR ANSON, MR PHILLIPS MR SCHOLAR, MR CULPIN
	MISS PEIRSON, MR GILHOOLY, MR RILEY, MR RAMSDEN,
	MR SPEEDY, MR TYRIE, MR CALL,

MR MACE - IR

✓ 31/10

MP

CONFIDENTIAL

Paul Gray Esq
Private Secretary
10 Downing Street
LONDON
SW1A

28 October 1988

Dear Paul

NATIONAL INSURANCE CONTRIBUTIONS RERATING 1989-90

My Secretary of State has now conducted the annual review of National Insurance contributions, and the proposals, which will come into effect from April 1989, are summarised in the attached table. The Chancellor will refer to the proposals in his oral Autumn Statement, and a written PQ will be answered on the same day. No change is proposed to the main rerating of earnings limits. With one exception all the changes will be implemented by secondary legislation; the abolition of the Treasury Supplement to the National Insurance Fund will be effected by the next session's Social Security Bill. The supplement, which is a contribution from the taxpayer to the National Insurance Fund, has been steadily cut since 1981. The Fund, which pays for contributory benefits, has substantial resources from contributions, and the supplement is no longer required.

I am copying this letter to Alex Allan (Treasury), Andy McKeon (Health) and Martin Donnelly (Northern Ireland).

Yours sincerely

Rod Clark

ROD CLARK
Private Secretary

CONFIDENTIAL

NATIONAL INSURANCE CONTRIBUTIONS RERATING 1989-90

CLASS 1 EMPLOYED EARNERS CONTRIBUTIONS

Rate: Employees	Rate: Employers	Present Band (weekly earnings)	Proposed Band for 1989-90 (weekly earnings)
5%	5%	£ 41 (LEL) to £ 69.99	£ 43 (LEL) to £ 74.99
7%	7%	£ 70 to £104.99	£ 75 to £114.99
9%	9%	£105 to £154.99	£115 to £164.99
9%	10.45%	£155 to £305 (UEL)	£165 to £325 UEL
9% to UEL	10.45%	Above £305 (UEL)	Above £325 UEL

	Present	Proposed
Class 2 (Self employed)	£4.05 a week	£4.25 a week
Small earnings exception level (annual)	£2250	£2350
Class 3 (voluntary)	£3.95 a week	£4.15 a week
Class 4:		
Lower profits limit (annual)	£4750	£5050
Upper profits limit (annual)	£15860	£16900
Rate	6.3%	6.3%
NHS allocation (Class 1 Contributions)		
Employees	0.95%	1.05%
Employers	0.80%	0.90%
Treasury Supplement	5% (of gross contributions)	Nil (to be abolished)

FROM: SIR T BURNS
DATE: 29 October 1988

CHANCELLOR

cc Sir Peter Middleton
Mr Anson

SOCIAL TRENDS 1989: ARTICLE ON SOCIAL ATTITUDES

I agree with Mr Anson about the proposed publication of the article on social attitudes in the forthcoming "Social Trends"; that we should allow this article to go ahead but persuade CSO that they should discontinue this practice.

2. My own view is that the section on public expenditure and taxation will not receive much attention. These findings are well known and will be swamped by the attention that is likely to be given to the sections on AIDS, morality and "who does what" in the home. The NHS answers are not very surprising either and in some cases are helpful.

3. Any attempt to stop or censure publication runs the risk of causing more trouble than allowing it to go ahead. I found the article moderately interesting and the only real objection I can see is that it should have appeared in some other publication.

T.B.

T. BURNS

Ch
I think it is outrageous that CSO have been allowed to get this far without checking with Ministers at an early stage and well before it became potentially embarassing. And to ask the Treasury "to consider any political aspects of the draft" is crass.
Nonetheless may be more damaging to try to cancel it now?

AA

I agree. See note on next page...

Spackman 5492

Boards of Governors

[illegible] 8 [illegible] Discussed with AA

SOCIAL TRENDS

Ch/

Buried deep in Mr Spackman's original submission, at flag, was the remark that the offending material wd already have been published via non-official channels. This has now happened + I attach copies of the extensive coverage in yesterday's Guardian + today's Independent.

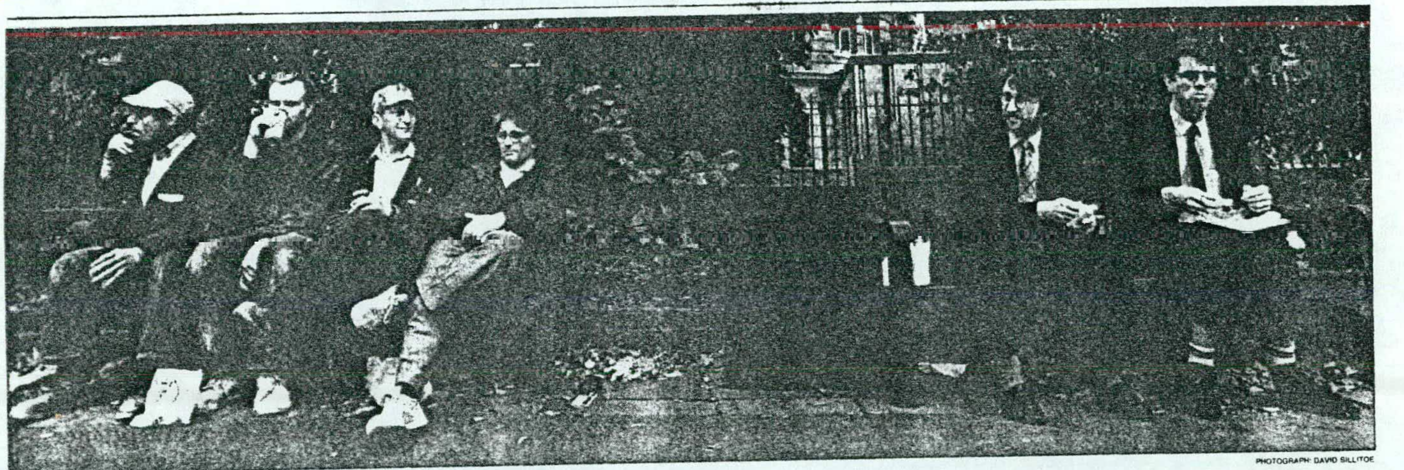
We can get a copy of the full work if you wish, but Mr Spackman tells me he believes it to contain all the Social Trends material, plus a lot else so the Trends piece is really only a repetition/abstract.

Does this in any way change yr view on whether STrends shd publish? If not, we will now minute out yr comment on latest Spackman note

MPW

Wednesday November 2 1988

Guardian Tomorrows



PHOTOGRAPH: DAVID SILLITOE

City lunch break . . . but few have embraced the ideas behind the enterprise culture

Britain's improbable revolutionaries

The fifth annual survey of British social attitudes has uncovered some surprising shifts in public opinion. Melanie Phillips sums up the findings

BRITISH culture has so far remained impervious to Mrs Thatcher's revolution because the British are improbable revolutionaries, according to the latest edition of British Social Attitudes. Sweeping changes may have ocurred in institutions and practices, say researchers Roger Jowell and Richard Topf, but few people have embraced the ideas behind the enterprise culture.

The expected values of such a society, they say, would include regarding the fruits of business investment and entrepreneurship as a legitimate reward for shareholders and managers, supporting the privatisation of health and education as well as cuts in social expenditure, and expressing disapproval of Keynesian solutions to unemployment such as job creation.

Yet despite all the exhortations and the formidable leadership qualities of the Prime Minister, British public opinion has actually become more alienated from many of these goals since 1983. And a serious obstacle to change is the fact that the very people who ought to be in the vanguard, those on the right of the political spectrum, are themselves "fainthearted" and too ambivalent about many of the issues to be effective crusaders.

Take, for example, attitudes towards business, industry and the City. People are not against profits; on the contrary, most believe we would all be better off if industry made higher profits and only one person in six believes that profits are already too high.

But people believe that profits are disproportionately benefiting businessmen, shareholders and managers at the expense of investment, the workforce and the customers. As a powerful pillar of the establishment, industry commands considerable public sympathy, but criticism is focused obsessively on its undue favouritism towards its top people.

Similarly, the criticism of the City is that it does not act in the public interest. The City is now seen to be at the centre of the nation's political stage thanks to wider share ownership, the Big Bang and several well-publicised financial scandals. The vast majority of people believe that its success is essential to the British economy. But the public also thinks overwhelmingly that the City is out for quick profits at the expense of long-term investment.

Asked whether it could be relied upon to uncover dishonest deals without government intervention, people split three ways between leaving it to the City, wanting the Government involved and holding neither view. Surprisingly, says the report, it was people with degrees (64 per cent) who were most insistent that the City couldn't be trusted to regulate itself; only 24 per cent of people with no qualifications thought this, with even Labour supporters more trusting than graduates.

When it came to who was thought to wield most power over governments of different political hues, the researchers were struck by the large amount of influence the business community was seen to exercise over all governments, including a putative Alliance administration. Conservatives were seen as creatures of the City, while manufacturing industry was thought to have rather more influence over Labour.

But the most striking finding here was that the highest percentage of people in this section, 87 per cent, believed that the trade unions had considerable sway over Labour. Given that around half the population thinks trade unions have too much power anyway, says the report, their influence over Labour may well be an electoral liability. In contrast, the strong perceived link between the City and the Conservatives doesn't appear to be so embarrassing.

There have been some dramatic changes in opinion since 1983 about how well various British institutions are running. Far fewer people now think that the police, the NHS, local government, trade unions, the BBC and the press are well run.

On the other hand, the civil service, manufacturing industry, nationalised industries, the banks, and independent TV and radio have all risen in public esteem. Only 30 per cent of people think state schools are well run.

The researchers are baffled over the sharp rise in popularity of the nationalised industries, wondering whether the public has confused them with privatised industries or whether there is a residue of affection towards the remaining state-run concerns.

In general, they say, the British electorate is far from being compliant or deferential. It is characterised by an uncompromisingly irreverent and critical streak which runs too deep to be dismissed as a mannerism. "The public's trust in the pillars of the British establishment is at best highly qualified," the report observes; and it concludes that the public seems intuitively to have discovered that the surest protection against disillusionment with public figures and powerful institutions is to avoid developing illusions about them in the first place.

Is my country right or wrong? A modern morality quiz

Test your scruples — and what you think others would do. Answers on Health Guardian overleaf

● 1 You are alone in the street when you see a £5 note lying on the pavement. Do you a) leave it there; b) hand it in at a police station; c) pick it up and pocket it? What would other people do?

● 2 Which, if any, of these temptations might you succumb to: a) paying a plumber in cash to avoid VAT; b) exaggerating a burglary claim on the insurance by £100; c) keeping £5 extra change in a big store; d) keeping £5 extra change in a corner shop? And what do you think most people would do?

● 3 In what order of priority would you put these factors for improving standards in primary and secondary schools — and do you think teachers' views are different? — teachers' pay, stricter discipline, more resources for books and equipment, smaller classes, more discussion between parents and teachers, more training for jobs.

● 4 Compared with 1983, are people more or less likely to think that pornographic magazines and films should be banned altogether, or available in special adult shops but not displayed to the public?

● 5 Compared with 1985, are people more or less likely to agree that contraceptive advice should be given to under-16s without their parents being told?

● 6 Since 1983, most people are less likely to approve of abortion: a) if the couple agree they don't want the child; b) if the woman decides on her own she doesn't want the child; c) if the woman doesn't want to marry the father. True or false?

● 7 Who do you think tends to be more "left-wing", working-class or middle-class people? Among Conservative, Alliance and Labour voters, who has the most left-wing attitudes towards nuclear defence, sex discrimination law, the right to protest, cultural diversity in schools, homosexuality and the death penalty?

● 8 Do people in the north and south of the country agree that unemployment benefit is too low, that income should be redistributed, that ordinary people don't get a fair share of the nation's wealth and that unemployment should have a higher priority than inflation?

● 9 Do you think it's important to keep the green belt rather than build new homes on it, and do you think most people agree with you?

● 10 Most people think that: a) it's good for women to go out to work, provided the children are looked after, and b) the woman and family are both happier if she goes out to work. True or false?

John Cunningham reports on where the NHS ails us

Case for treatment

THE NHS itself is now widely perceived as a casualty within the welfare state. Almost 40 per cent of the public express general dissatisfaction with the way the service is run — a rise of almost 15 per cent compared with five years ago. Only six per cent of the population are completely happy with it.

Most patient concern involves hospitals: 29 per cent are unhappy with out-patient treatment and facilities (an increase of eight per cent since 1983), while only 54 per cent profess themselves satisfied. But dentists and family doctors are thought overwhelmingly to be doing a good job: 79 per cent are content with their GPs, and 74 per cent with NHS dentists.

Specific areas where improvements need to be made include: hospital waiting lists for non-emergency operations (87 per cent endorse this), waiting times reduced for consultants' appointments (83 per cent); more hospital nurses (75 per cent) and more hospital doctors (70 per cent). Even so, most people do not blame doctors or nurses for hospitals' shortcomings. General practice gets a much better bill of health, though a third of patients wish their family doctors would spend more time with each patient.

The decline in public confidence in the NHS during the last five years is attributed by the authors of the report to health care becoming a political football. But they argue that the public doesn't see the argument in terms of increased private provision versus public health care. Rather, there has been increased support for the principle of the NHS, and for more expenditure on it. But concurrent with this is growing complaint about delivery of services in particular areas.

The notion that the NHS should be available only to those on low incomes, with the well off getting tax concessions to pay for their subscriptions to private care schemes, is rejected by 68 per cent. As for the growth of private care, from 11 per cent of the population in 1983 to a current 4 per cent, the survey notes: "It is still the high income groups who are both more dissatisfied with the NHS and more likely to be covered by private insurance."

Among consumers with complaints about specific NHS services, there has been a marked growth in the proportion of patients in the Social Groups 1 and 2 who are becoming less pleased with the service they are getting. Now 40 per cent of them complain about out-patient treatment, compared with only 20 per cent of those in Social Groups 4 and 5. This gap has opened over the last five years, and over the same period, women have become more dissatisfied, and are now as likely to complain as men.

However, the survey points out that these differences in regard to particular aspects of the NHS are much greater than in relation to the service as a whole. "In contrast, the differences according to party identification remain slight, indicating that the specific services provided by the NHS are not seen in the same politic context as the institution as a whole."

Either side of the unbridgeable gap between school and work

Many have worries about state education and their children's prospects. John Cunningham assesses the views

THERE are widespread worries about many aspects of state education. Researcher Paul Flather, chairman of Ilea's Further and Higher Education subcommittee, found particular concern over large class sizes, shortages of books and equipment, classroom behaviour in secondary schools, early specialisation and both respect for and commitment of teachers. This unease has not led to any increased antagonism towards private education — if anything, the reverse seems true. There is greater support than before for a selective secondary school system, and a clear trend in favour of a national curriculum.

High unemployment is convincing more parents of the need for a big expansion in higher education; and is responsible for a growing belief that schools should do more to prepare teenagers for the world of work. Of the sample, 53 per cent reckoned that universities and polytechnics, which continue to limit their intake in the face of cuts, should expand. This was a nine per cent increase since the 1983 survey.

On the vexed question of the transition between school and a first job, the report says that only one school in three teaches skills which are of use in industry. Overall, parents and teachers are not optimistic about efforts to remedy this: "There appears to be sort of resigned acceptance that school and work are far apart and that the gap seems more or less unbridgeable."

The teachers' strike was still unresolved when fieldwork on this section of the survey was undertaken, and the Education Bill was passing through Parliament as it was being completed. Both factors have some effect on the findings. The profession rates a diminishing regard from the public: 60 per cent say teachers are less dedicated than they were a decade ago, with fee-paying parents specially insistent that this is so. A "staggering" 86 per cent think classroom behaviour has become either worse, or even much worse over 10 years, with a growing lack of respect for teachers by both pupils and their parents.

Kenneth Baker's major Reform Act does not address the full range of public anxiety about schooling, the survey reveals, even though the Government has been winning the argument over education policy. Support for a system of grammar and secondary modern (52 per cent) as compared with comprehensive schools (41 per cent) is growing: in 1985, it was divided equally. And take-up of private schools is increasing: 18 per cent of pupils between 16 and 18 years are now fee-paying.

However, the compulsory testing brought in by the Act, at the ages of 7, 11 and 14, is criticised by a large public majority, who favour more emphasis on classroom assessment.

On the related question of subject specialisation, 63 per cent believe that that pupils have to make a subject choice too early in their school careers, contrary to the belief that early specialisation is a cultural norm in Britain, unlike other West European countries.

The introduction of a core curriculum, and the corresponding decrease in the powers of local authorities to determine what is taught is finding favour with more people. This shift is almost entirely among Conservative voters. Currently, 48 per cent favour local authority control; 47 per cent central control. Three years ago, 52 per cent favoured the local authorities, and only 40 per cent thought the Government should concern itself with school timetables.

Should couples share chores?

	Married who do	Married who say they should	Singles who think couples should
	%	%	%
Household shopping	43	65	77
Evening meal	17	42	55
Evening dishes	36	69	74
Household cleaning	23	52	62
Washing and ironing	9	27	41
Household repairs	8	23	34
Organising household money	30	62	59
Caring for sick children	30	51	58
Teaching children discipline	67	83	80

All data on this page from British Social Attitudes: The 5th Report, published tomorrow by Gower Publishing Group, £29.50 hardback and £14.95 paperback.

Seen from the sidelines

Aids

TOLERANCE of homosexuals has declined over the last four years, the survey finds. But although 57 per cent of respondents feel that "most people with Aids have only themselves to blame," 60 per cent feel that Aids suffers get less sympathy from society than they deserve.

Although the message of the Government's advertising campaign is getting through, about 60 per cent of the public mistakenly believe that lesbians are in the high-risk group who might succumb to Aids. About 30 per cent of those questioned believed also that blood transfusions were risky.

Identikit jobs

ALTHOUGH more of us now agree that a variety of jobs are equally suitable for men and women, a third of the sample still reckon that being a police officer or a bank manager is a primarily a man's job. Among jobs traditionally done by women, only just over half those questioned now feel that secretaries should be female, while only a third feel that nursing is a women's profession.

Countryside

OVERALL, environmental awareness is growing. More than 50 per cent say the countryside is changing for the worse, with those living in rural areas expressing even greater concern than occasional urban visitors. The greatest threat to the countryside is seen to be from industrial operations, rather than from modern agriculture.

The favoured use for the increasing surplus of farmland is overwhelmingly national parks, wildlife reserves and hardwood forest.

North v South

HOWEVER much Tory politicians try to minimise the issue, the divide is perceived by those living in different regions. People living in Scotland, the North and Wales tend to be both more pessimistic about the economy and more egalitarian in their attitudes than Midlanders and Southerners.

Southerners, including the less well off among them, are less likely than their northern counterparts to favour government intervention aimed at reducing economic inequalities.

Blue-collar Tories

BLUE-COLLAR Tories differ from the rest of the working class on what the survey calls the old economic questions rather than on their attitudes to "new agenda" ones — such as race, sex, civil rights and green issues. On the policy differences between different social groups in both main parties, while the Conservatives are ideologically united, the Labour Party is described as more like a coalition.

Artificial fertility

PUBLIC approval for some developments and practices in artificial fertility is far from universal when someone other than a spouse is involved in the arrangement. Only about half of the survey sample think that even such a long-established practice as artificial insemination by a donor should be allowed. Fewer still (36 per cent) think that unpaid surrogate motherhood should be sanctioned, and only 23 per cent believe that paid surrogacy arrangements should be permitted.

Independent 3/11/88

Thatcherite values rejected

Nick Cohen examines a survey of 3,000 voters which reveals strong support for the welfare state and little for an 'enterprise culture'

THE INDEPENDENT Thursday 3 November 1988

THE GOVERNMENT has failed to instil the values of an "enterprise culture" into an electorate which regards the City with suspicion and believes that taxes should be raised to support the NHS, education and the welfare state.

But the annual British Social Attitudes report, released today, implies that divisions within the Labour Party may prevent it taking advantage of the widening gap between what the public wants and what the Government does.

The survey of 3,000 voters, shows strong evidence that Thatcherite ideology has not taken root.

Although people were in favour of private enterprise making profits they were critical about the uses to which profits were put.

The report, by Social and Community Planning Research, said almost 60 per cent of those questioned thought profits were used to reward shareholders and raise the salaries of senior managers. Only 3 per cent believed that was right. Almost 75 per cent wanted profits to be spent on cutting prices, raising the wages of workers and investment.

The worries about investment were reflected in questions about the role of financial institutions. Two thirds of those polled thought the City was out for quick profits at the expense of long term investment in industry. The view that investment needed to have a higher priority was virtually unanimous.

The authors say that in an enterprise culture people would "regard the fruits of business investment and entrepreneurship as a legitimate reward for shareholders and top managers". They would reject job creation schemes to solve unemployment and support cuts in social expenditure and the progressive privatisation of health and education.

There was no evidence that this was happening. Despite insistent exhortations the public had become more alienated from the goals of Thatcherism since the first survey in 1983. Half of those questioned wanted taxes raised so that more could be spent on the welfare state and only 3 per cent were in favour of tax cuts and less government spending.

Support for the fundamental principle behind the NHS — that health care should be free at the point of delivery — has never been higher. Strong backing for more spending on health has risen from 63 per cent in 1983 to 83 per cent. Half the Conservative voters questioned thought that the NHS needed more money.

But deterioration in the quality of service had changed the nature of the affection for the NHS. In the past, it was based on approval for the idea of a free health service and satisfaction with the treatment provided. Now that satisfaction is declining: 39 per cent were dissatisfied with aspects of the service, compared with 25 per cent in 1983. The complainants did not criticise doctors and nurses, but thought there were too few of them. Hospital treatment was good when you got it, they said, but was rationed by queuing and delivered under strain.

Government ideas on education were more widely supported. Private schools did not arouse public antagonism, unlike private hospitals. Selective education was more popular, with more than half the population wanting a return to grammar schools.

There were, however, worries about large class sizes, book and equipment shortages and discipline. About two thirds thought teachers were less dedicated than 10 years ago. Half the teachers questioned agreed. However, 57 per cent of people believed schools successfuly taught reading, writing and arithmetic. Teachers were less confident.

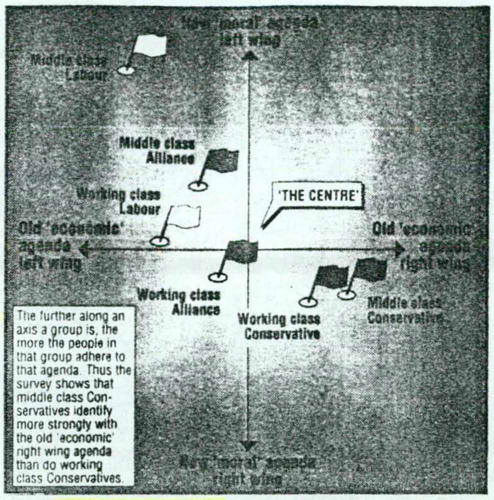
Scepticism about free market ideologies might well reflect a wider irreverence. The authors point out that the British establishment is viewed by the people it rules with a "healthy cynicism". Most of the population did not trust the civil servants, local and central government and journalists to serve the public interest.

Whether Labour will be able to capitalise on the unpopularity of the Government's ideology is another matter. The party's working class and middle class supporters are united on economic issues — the need to end inequality, cut unemployment and put social spending before tax cuts. But on "moral" issues and nuclear disarmament they are divided.

Two thirds of Labour's middle class supporters adopt a left wing position on nuclear defence compared with only one third of its working class supporters. Only 7 per cent of working class Labour voters take a "left wing" position on homosexuality and 85 per cent support the return of the death penalty. Among middle class Labour supporters, 43 per cent support homosexual rights and a large majority was against the return of the death penalty. In contrast working, middle and upper class Conservatives have similar attitudes on economic, social and moral issues. Despite Labour's differences, the authors found no evidence that it was losing working class votes because of its policies on sexual and racial issues. With the exception of its stand on nuclear weapons, which was hurting the party, new libertarian policies were seen as unimportant, even if they were disliked.

■ *British Social Attitudes, £14.95, Gower Publishing, Gower House, Croft Road, Aldershot, Hants. GU11 3HR.*

Leading article, page 28



The positions (left) of working and middle class supporters of the major parties on economic issues such as inequality, trade unions, and tax cuts; and new "moral" issues such as nuclear disarmament, sex discrimination, and homosexuality.

Money motivates the new moralists

THE NEW morality — identified by the survey identified in the public's attitude to sex — was neatly pigeon-holed to ensure that it did not inconvenience attempts to make money.

When it comes to minor fraud, such as fiddling expenses or overclaiming insurance, British people know the difference between right and wrong, but are perfectly willing to do what is wrong if the chances of getting away with it are right. The survey asked: "Would it be wrong if a plumber offered to do a job for less money if he was paid in cash and could avoid VAT payments?" Nearly three-quarters of those questioned (73 per cent) said it was wrong to avoid VAT. But 66 per cent of the same respondents said they would agree to pay cash if the opportunity arose. It's not just the principle that counts, the researchers point out.

"Suppose you find some money in the street, what would you do?"

	£5	£20	£100
Leave it	1	1	1
Hand it to the police	27	48	51
Pocket it	69	48	21

Percentages

Fiddling expenses, for example, is judged more harshly as the amount of money involved goes up. When people were asked whether they would pocket money they found lying in the street, 69 per cent said they would keep £5, but only 21 per cent said they would keep £100. Disapproval of illegal actions is far greater when ordinary people are hurt than institutions.

A householder who claims £500 more than he is entitled from his insurance company is felt to be in the wrong by about a third of those questioned. But a car dealer who conceals details of an accident in order to get £500 more for a second-hand car is judged to be behaving wrongly by 84 per cent.

Strict judgements were most likely to come from older people. The majority of 18 to 24-year-olds, on the other hand, are much more likely than others to say that there is nothing wrong in breaking legal or moral rules. "Judging an action to be wrong, even illegal, does not prevent the majority of the population from doing it," the report says. But that does not mean that social ethics have broken down. The authors conclude that little has changed since George Orwell wrote in the 1940s that England was "a strange mixture of reality and illusion, democracy and privilege, humbug and decency, the subtle network of compromises, by which the nation keeps itself in its familiar shape".

Change in attitudes over homosexuality

PURITANISM IS a growing force in Britain. The number of people willing to condemn homosexuality, extra-marital affairs and pornography has increased in the past five years.

The most notable shift in opinion has been in attitudes to homosexuality. This year 74 per cent said that homosexual relationships were "wrong", compared with 62 per cent in 1983.

Fear of Aids lies behind a hostility which was shared by a majority graduates and young people. However, there were slight signs that willingness to discriminate against gays was declining slowly. About half of those questioned thought it was acceptable for a homosexual to hold a responsible position in public life and 43 per cent did not object to homosexual teachers. This slight evidence of tolerance was a small sign that the Aids inspired backlash may not be quite as serious as many homosexuals had feared.

Relationships that are 'always' or 'mostly' wrong

	1983	1985	1987
Pre-marital sex	28	23	25
Extra-marital sex	83	82	81
Homosexual	62	69	74

Percentages

The Government's campaign against Aids appeared to have been partially successful. An overwhelming majority recognised that the promiscuous, male homosexuals and drug users were at risk. But 43 per cent thought lesbians were at risk, even though lesbian sex is about the safest there is.

Aids victims were generally thought to get less sympathy than they deserved, but 57 per cent believed that most people with Aids only had themselves to blame.

The researchers say that while there is broad public sympathy for Aids sufferers there is "a somewhat chilling lack of strong concern for increasing the resources available for helping sufferers". While perhaps "rational", they say, "from the point of view of the anticipated fast-growing number of sufferers during the next decade or so, it may seem like rather cold comfort", the report adds.

Almost nine out of 10 people disapprove of affairs outside marriage and about 40 per cent of the population believe that pornography should be banned.

But the authoritarian moral trend is not all powerful. Three out of four people now believe that sex before marriage is not wrong and there has been a striking increase in support for abortion on demand: from 37 per cent in 1983 to 54 per cent.

DUCKWORTH & CO.
Chartered Accountants

Charles G. Duckworth, C.A.

A. Shardow, A.C.C.A.

2 CREECHURCH LANE
LONDON EC3A 5AY

Telephone: 01-283 3921
Telex: 934022 V. KASS G
Fax: 01-621 1492

ASSOCIATED OFFICE IN
PIRAEUS, GREECE.

DHSS
Arndale House
Arndale Walk
Wandsworth
London SW18 4BU

COPY

31 October 1988

Your ref: P A Edwards Ass't Manager

Dear Sir

Complaints lodged against you by
Mr Charles G Duckworth,CA,FRSA
and advised in writing to the Private
Secretary of the Chancellor of the Exchequer

We are in receipt of your letter dated 12 October but which in fact only arrived at Mr Duckworth's residence on 18 October1988.

With respect, your previous letters dated 3 June 1988 and 30 August 1988 were verbose in the extreme and unintelligible even to Mr Duckworth, who is a Member of the Institute of Scottish Chartered Accountants. We have examined the correspondence carefully and we are of the opinion that unless Mr Duckworth had written to you you would have been quite happy to have taken his 50 weekly contributions for 1986/87 and eventually NOT to have let that year be reckonable. If you wished Mr Duckworth to pay the two weeks outstanding for that year (and your computer letter of 3 June 1988 mentioned only ONE) then why on earht couldn't someone at your anonymous department take the honest initiative of writing a simple letter to Mr Duckworth saying all he had to do was to pay the additional two contributions because the DHSS had made a mistake.

We are concerned that irregularities like these can arise. We appreciate that your letter of 12 October confirms in writing that as Mr Duckworth has paid all the contributuions required of him for 1986/87 that that year is FULLY RECKONABLE for pension purposes. However, as Mr Duckworth has little confidence in the manner in which you have dealt with this matter, would you be so kind as to confirm that all the earlier years referred to in Mr Payne's letter dated 16 October 1986 will count for pensionable purposes i.e. fiscal years 1982/83 through to 1986/87? Also, please confirm that the fiscal year 1987/88 is fully reckonable for pensionable purposes as Mr Duckworth is NOT prepared for you to come back at him in a few months time alleging that any weekly contributions are underpaid.

This letter is being sent by Recorded Delivery.

Yours faithfully,

Charles G. Duckworth.

Charles G Duckworth-Duckworth & Co.

DUCKWORTH & CO.
Chartered Accountants

Charles G. Duckworth, C.A.

A. Shardow, A.C.C.A.

2 CREECHURCH LANE
LONDON EC3A 5AY

Telephone: 01-283 3921
Telex: 934022 V. KASS G
Fax: 01-621 1492

ASSOCIATED OFFICE IN
PIRAEUS, GREECE.

Pse also attach a copy of the "standard acknowledgement" which we sent to Duckworth last time. I've forgotten what it was (sorry!) JT 4/11

Jonathan Taylor Esq
Private Secretary to the
Rt.Hon. Nigel Lawson,MP.
11 Downing Street
London SW1

31 October 1988

Dear Mr Taylor,

Complaints lodged by Mr C G Duckworth
against the DHSS for alleged irregularities

I refer you to my letter to you dated 23 September in which I advised you of severe problems that I was having from the DHSS who had deducted 50 weekly contributions of Class 2 and then used that as a nexcuse to try and avoid making them reckonable for 1986/87.

I am pleased to say that I believe it was through your intervention that the DHSS have now sent me a letter of apology a copy of which is attached.

However, I do not have trust or confidence in them and I am suspicious of the fact that if they can make mistakes like the one I wrote to you about, they can make mistakes on other years also. i have therefore written back to them and enclose a copy of my letter.I have asked them to confirm that all the other years in which i have paid Class 2 contributions are fully up to date and reckonable for pension purposes. If they write back and say they are not then I shall be writing to you again because the DHSS will be guilty of taking my weekly contributions under false pretences. Hopefully, they will write back stating all is in order in which case I am prepared to let the matter drop.

Yours sincerely,

Charles G. Duckworth.

Charles G Duckworth.

octst1.34

FROM: J C J RAMSDEN
DATE: 31 October 1988

1. MR MCINTYRE

JM 31/10

2. CHANCELLOR

cc Chief Secretary
Financial Secretary
Sir P Middleton
Mr Anson
Mr Phillips
Mr Scholar
Mr Culpin
Miss Peirson
Mr Odling-Smee
Mr Gilhooly
Mr Riley
Mr McIntyre
Miss Simpson
Mr Speedy
Mr Tyrie
My Call
Mr Mace (IR)

Thanks. OK.

ANNUAL REVIEW OF NICS: ANNOUNCEMENT BY MR MOORE

I attach a copy of the announcement on the annual review of NICs which Mr Moore will make tomorrow , by means of a written PQ. It has been approved by DSS Ministers.

2. You have said that you would want the increase in the lower earnings limits to be presented as in line with prices, but uprated to the nearest £5 . The text of Mr Moore's statement merely says that the ~~limits~~ reduced rates will be "extended further". If tackled on this by the press, DSS propose to say that the ceilings have been increased by more than prices - rounded to the nearest £5.

3. The formula on the abolition of the Treasury Supplement is in line with the explanation you will give in your oral statement ie that it can be done without any need to increase contribution rates and will mean that NI benefits are fully financed by the NI contributions which earn entitlement to those benefits.

JCJ Ramsden

J C J RAMSDEN

A

CONFIDENTIAL UNTIL NOVEMBER 1st 1988 then declassified

DRAFT (Inspired) PQ AND ANSWER FOR NOVEMBER 1st 1988

REVIEW OF NATIONAL INSURANCE CONTRIBUTIONS

[MP's name to be added by Private Office]

To ask the Secretary of State for Social Security, whether he has yet completed his review of National Insurance contributions for 1989-90.

Suggested reply:

"I have completed the annual review under Section 120 of the Social Security Act 1975. The proposals will take effect from April 6 1989

EMPLOYERS AND EMPLOYEES

As my Right Hon. Friend the Chancellor of the Exchequer said in his statement earlier today, I do not propose to change the standard rates of contributions for either employees or employers, which remain at 9 per cent and 10.45 per cent respectively.

In line with the Social Security Pensions Act 1975, the Lower Earnings Limit for Class 1 contributions is to be raised to £43 a week, which is just below the basic retirement pension rate for a single person, which I announced to the House on October 27. The Upper Earnings Limit is to be raised to £325 a week, which is slightly less than 7½ times the new basic pension rate. The new earnings limits will replace the current ones of £41 and £305 respectively.

The reduced contribution rates for the lower paid will continue unchanged. The reduced rates of 5 per cent and 7 per cent for employees and 5 per cent, 7 per cent and 9 per cent for employers will be extended further; they will now apply to weekly earnings which fall below the ceilings of £75, £115, and for employers only, £165 (the previous ceilings were £70, £105 and £155 respectively).

NOT CONTRACTED-OUT EMPLOYEES AND THEIR EMPLOYERS

Neither the employee nor his employer will have to pay any contributions if earnings are less than £43 a week. For people earning between £43 and £305 (the former Upper Earnings Limit) there will be no increase for either the employee or his employer. In fact, owing to the increase in the earnings ceilings for the reduced contribution rates, some lower paid employees will pay a slightly smaller contribution, as will their employers. For those employees with earnings above £305 a week, the maximum possible increase will be £1.80 a week. There will be no corresponding increase for employers since there is no Upper Earnings Limit for their contributions.

CONTRACTED-OUT EMPLOYEES AND THEIR EMPLOYERS

Some lower paid contracted-out employees, and their employers, will have their contributions reduced because the earnings ceilings for the reduced contribution rates will have been increased. Some contracted-out employees and their employers will pay slightly more. Where earnings are less than the former Upper Earnings Limit of £305 a week, the increase will be very small reflecting the fact that the raised Lower Earnings Limit increases the band of earnings on which the higher non-contracted out contribution rates are paid.

Contracted-out employees with earnings above the old Upper Earnings Limit (£305) will pay a maximum of £1.44 a week extra. Their employers will pay slightly less since the raised Upper Earnings Limit will extend the contracted-out rebate to employers contributions in respect of earnings between £305 and £325 a week.

SELF EMPLOYED PEOPLE

The flat rate Class 2 contribution will be raised by 20p to £4.25 a week.

The rate of Class 4 contributions, currently 6.3%, will not be increased. The annual limits of profits between which Class 4 contributions are paid will be raised to £5,050 and £16,900 from £4,750 and £15,860 respectively. Self-employed people who pay only Class 2 contributions will pay an extra £10.40 a year in 1989-90.

For those self-employed people with profits between £5,050 and £15,860 (the former upper profits limit) Class 4 contributions will be reduced by £18.90 per year in 1989-90 assuming an unaltered level of profits. For those self-employed people with profits at or above the proposed upper profits limit of £16,900 in 1989-90, the annual charge for Class 4 contributions will be £46.62 higher.

CLASS 3 (VOLUNTARY) CONTRIBUTIONS

The rate of Class 3 contributions will be raised to £4.15 a week.

TREASURY SUPPLEMENT

The Government proposes to introduce legislation as soon as possible to abolish ~~for~~ (as from) 1989-90 the Treasury Supplement to the National Insurance Fund which currently stands at 5% of gross contributions. Abolition will not require any changes to contribution rates and will mean that National Insurance benefits are fully financed by the National Insurance contributions which earn entitlement to these benefits.

EMPLOYMENT PROTECTION ALLOCATION

There will be no Employment Protection Allocation for 1989-90.

NATIONAL HEALTH SERVICE ALLOCATION

The allocation to the National Health Service, currently 0.95 per cent from employees and 0.8 per cent from employers, will be increased to 1.05 per cent and 0.9 per cent respectively from April 1989.

The draft orders, together with a report by the Government Actuary, will be laid before Parliament shortly.

CH/EXCHEQUER
REC. -2 NOV 1988
ACTION MR McINTYRE ✓ 2/11
COPIES TO PS/CST, PS/FST
SIR P MIDDLETON
MR ANSON, MR PHILLIPS,
MR SCHOLAR, MR CULPIN,
MISS PEIRSON, MR GILHOOLY
MR RILEY, MR RAMSDEN,
MR SPEEDY, MR TYRIE,
MR CALL, MR MACE - IR

MP

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

31 October 1988

Dear Rod,

NATIONAL INSURANCE CONTRIBUTIONS RERATING 1989-90

Thank you for your letters of 28 and 31 October. The Prime Minister was grateful for the details of the outcome of the annual review of national insurance contributions.

I am copying this letter to Alex Allan (HM Treasury), Andy McKeon (Department of Health) and Martin Donnelly (Northern Ireland Office).

Yours,
Paul

PAUL GRAY

Rod Clark, Esq.
Department of Social Security

MP

DEPARTMENT OF HEALTH AND SOCIAL SECURITY
Richmond House, 79 Whitehall, London SW1A 2NS
Telephone 01-210 3000

From the Secretary of State for Social ~~Services~~ Security

Paul Gray Esq
Private Secretary
10 Downing Street
LONDON
SW1A

31 October 1988

Dear Paul

NATIONAL INSURANCE CONTRIBUTIONS RERATING 1989-90

I regret that a line slipped out of my letter of 28 October, the third sentence of which should have read:

> "No change is proposed to the main NIC rates, but some flat rates will go up in line with the normal rerating of earnings limits."

I apologise for any confusion this may have caused.

A copy of this letter goes to Alex Allan (Treasury), Andy McKeon (Health) and Martin Donnelly (Northern Ireland).

Yours sincerely

Rod Clark

ROD CLARK
Private Secretary

CH/EXCHEQUER	
REC.	31 OCT 1988
ACTION	Mr Mc INTYRE — 31/10
COPIES TO	PS/CST, PS/FST, SIR P MIDDLETON, MR ANSON, MR PHILLIPS, MR SCHOLAR, MR CULPIN, MISS PEIRSON, MR GILHOOLY, MR RILEY, MR RAMSDEN, MR SPEEDY, MR TYRIE, MR CALL, MR MACE — I/R

CONFIDENTIAL

MP
[Ch - as expected, to be aware. MPW]

SECRETARY OF STATE FOR THE ENVIRONMENT

2 MARSHAM STREET
LONDON SW1P 3EB

01-212 3434

My ref:

Your ref:

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON
SW1P 3AG

CH/EXCHEQUER
REC. -2 NOV 1988
ACTION MR PHILLIPS ✓2/11
COPIES TO CST, PMG. SIR P MIDDLETON, SIR T BURNS, MR ANSON, MR TURNBULL, MISS PEIRSON, MR CULPIN, MR AJC EDWARDS, MR J SHORE, MR SAUNDERS, MR CALL, PS/IR, MR LEWIS - I/R, MR HUGHES - IR

31 October 1988

Dear Nigel

AUDIT OF THE HEALTH SERVICE

You spoke to me last week urging that it would be desirable to extend the role of the Audit Commission to cover the Health Service as soon as possible as agreed by the Health Service Review. To this end you urged me to explore further the possibility of including appropriate provisions in the Local Government and Housing Bill which we are preparing for next session.

I would be willing in principle to do this if you, Kenneth Clarke, Peter Walker and John Wakeham were all agreeable and the draftsman could cope. Clearly there are a good many practical issues to be sorted out about revising the composition of the Commission, defining its precise role in relation to the different parts of the Health Service, its degree of independence from the Department of Health, and its relationship to the National Audit Office and the PAC which we may need to consider between us as soon as they are properly analysed. If you and colleagues agree, I will ask the Steering Group of officials which has been formed to take matters forward on this to explore the possibilities for early legislation in my Bill and to report back to us as soon as possible.

In earlier exchanges between officials I understand that a possibility has been identified of proceeding with legislation in two stages. In the first year in my Bill we might have given the Audit Commission an enabling power to undertake value for money and audit work in the Health field on request and on repayment, to be followed by more substantive health legislation in the following session which would confer on the full statutory range of duties in respect to the Health Service Audit. I am not myself very attracted by such a two stage process if we can do the whole job in one go, but I would be content for officials to explore this option alongside the complete option during their work before we take a firm decision on this.

I am copying this letter to Kenneth Clarke, Peter Walker and John Wakeham.

Yours ever
Nicholas

NICHOLAS RIDLEY