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SECRET

Prime Minister

I think it would be better, if possible, to publish the public expenditure white paper on Budget day rather than the week before. But because the white paper figures are now finalised and have to go to press earlier, their underlying economic assumptions are likely to be different from the Budget assumptions/forecasts. Hence, the Treasury's desire to separate the two. I suggest you discuss with the Chancellor before a final decision is taken.

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CHANCELLOR OF THE EXCHEQUER

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

PRIME MINISTER

MT

PUBLIC EXPENDITURE ANNOUNCEMENTS : SOCIAL SECURITY

Your Private Secretary's letter to mine of 8th February referred to the Chancellor of the Duchy's minute of 7th February about the Social Security Bill and asked why it was essential that Royal Assent to that Bill should be obtained by 23rd May.

2. I have discussed this point and others with the Social Services Secretary, the Chancellor of the Duchy of Lancaster and the Chief Whip. We were satisfied that for the reasons set out in the attached DHSS note it is essential for the present provisions in the Social Security Bill to be brought to Royal Assent by 23rd May. The Chancellor of the Duchy of Lancaster's minute reflected earlier firm advice that a similar deadline would have to be set for the additional provisions. The Social Services Secretary has, however, now decided that it is not essential for these provisions to become law until mid-July. There are risks about this, set out in paragraph 4 of the attached note, but in the circumstances described in the Chancellor of the Duchy of Lancaster's minute, which effectively precluded use of the present Bill, we were clear that they were the lesser evil.

3. It will now be possible for the announcement to be made along with our other decisions when the Public Expenditure White Paper is published: the planned date for this is 18th March.

SECRET

4. We agreed that legislative cover for the new proposals (including possible action, if agreed, on public service pensions and strikers) will have to be obtained in a separate later Social Security Bill, or just possibly the Finance Bill. The Chancellor of the Duchy of Lancaster will be reporting to you shortly on how this might best be done and on the implications for the legislative timetable as a whole.

5. I am sending copies of this minute to our Cabinet colleagues, the Chief Whip, the Acting Leader of the House of Lords, and to Sir Robert Armstrong.

(G.H.)

15 February, 1980

ANNEX

SOCIAL SECURITY DECISIONS - IMPLEMENTATION AND ANNOUNCEMENT

1. This note explains why Royal Assent is required for the current Social Security Bill by 23 May, and why so much time is needed to prepare for the benefit uprating this November. The Bill not only includes the breaking of the link with earnings for long-term benefits, which directly affects the November uprating, but more significant operationally it also gives effect to the new supplementary benefits scheme resulting from the recent review. The only practicable way of implementing the new scheme, which involves reassessing in detail every aspect of each of the 3 million supplementary benefit cases, is in conjunction with the November uprating over the normal six-month period during which the cases come up for review anyway. To try to do this at any other time, or over a shorter period, would create serious difficulties in local offices either involving great expense (on extra overtime) or risking breakdowns due to staff refusal to do the overtime. This year's uprating and the implementation of the new supplementary benefits scheme thus need the full six-month period, starting in mid-May.

2. Once that process of issuing order books to the public has started, there could be no going back without public confusion and criticism of our administrative competence, so the provisions of the new supplementary benefits scheme must be established in every detail by then. The Social Services Secretary is convinced that the current Bill must be law by mid-May, if the 1980 uprating and the introduction of the new supplementary benefits scheme is to be completed on time.

3. The only way to include the relevant public expenditure changes in that Bill is to announce them before 18 March and debate them on Report stage. In view of the serious Parliamentary difficulties of that course, we have considered the alternative of putting the changes in a new Bill for that purpose.

4. Putting the changes in a new Bill, which would have to be introduced after the announcement on 18 March and would not receive Royal Assent until mid-July, would mean that the short-term rates of national insurance benefit,

and of invalidity benefit - a long-term benefit - were not absolutely certain until some two months after the uprating had started in mid-May, and that Ministers would have to face the criticism that Parliament's approval was being anticipated for that period. Because of the problems of any other course, however, the Social Services Secretary considers that the risks involved in this course should be accepted. They are of a much lesser order than those involved in risking delay to his current Bill. Only one of the six proposed changes in public expenditure on the pensions and benefit front affects the November uprating; far fewer cases are involved than is the case with the new supplementary benefits scheme and the uprating as a whole; nothing being enacted in the current Bill will require substantive amendment in the subsequent Bill by reason of these six changes; and, unlike the new supplementary benefits scheme, where detailed changes may well be made during the passage of the current Bill, the public expenditure changes are a major plank in the Government's strategy, on which our public faith will be pledged. The criticism of anticipating Parliament will have to be faced, but can be answered by pointing out that the usual uprating starts in May or June while the Order authorising the uprating changes is rarely passed before the latter part of July.