

PRIME MINISTER

Following public and Parliamentary interest in the Rayner study on payment of benefits, the Ministers involved have now agreed that officials should do some further work on how much of the Rayner package can usefully be introduced and in what timescale.

At this point, Sir Derek Rayner would welcome your endorsement of the need to make as much progress as possible as quickly as possible. May we please therefore comment in your name as in the attached draft. (The Chancellor's letter, with terms of reference for the further work, is below the draft.)

*Agreed not*

*MAD*

19 March 1980



DRAFT OF 18 MARCH 1980

*Martin Hall*

~~JOHN WIGGINS~~ ESQ

H M TREASURY

cc Private Secretaries to  
Cabinet Ministers, Minister of  
Transport and Minister of  
State, CSD  
Sir Derek Rayner  
Sir Robert Armstrong

ARRANGEMENTS FOR THE PAYMENT OF SOCIAL SECURITY BENEFITS

1. The Prime Minister has seen the Chancellor's letter of 17 March to the Secretary of State for Social Services. She is content that there should be a group of officials to provide by the end of April a factual basis for decisions by Ministers. But she considers that - as suggested by the Secretaries of State for Social Services and Industry in their letters of 29 February and 13 March - the terms of reference should include the question whether the Post Office's present arrangements for remunerating sub-postmasters is well, or might be better, adapted to the particular circumstances of the sub-post office network within the Post Office's overall management and financial structures.

2. The Prime Minister has asked me to make three further comments, the second of which should also be reflected in the work of the official group.



3. First, the Prime Minister would be grateful if the issues could be brought to Ministers for decision as early in May as possible. She regards it as important that the questions should be settled soon and that the Government should expose all the considerations fully to the public at the earliest feasible date. So far, the Government's posture has been a defensive one, whereas the case for reform and the associated savings has not had the public hearing it deserves.

4. Secondly, while retirement pensioners should be able to get their pensions weekly over the Post Office counter if they wish and while the sub-post office network is an important part of town and country life, the Prime Minister believes that the Government must be free to vary existing arrangements for benefit payment if it wishes. The reasons are these:

- a. Existing arrangements are old-fashioned and, at £250m p a at 1979 prices, very expensive. Every reasonable opportunity must be taken to improve the service to the payee and reduce the cost to the taxpayer.
- b. The Post Office has made it clear in recent statements on Government mail and British Rail night mail that it



regards itself as a business, not a charity. The Prime Minister regards this as, generally, the correct attitude for the Post Office to take, but it would be unreasonable to allow management or funding arrangements in part of the Post Office to prevent greater efficiency and economy in DHSS.

Q. Finally, the Prime Minister would be grateful if Sir Derek Rayner had the opportunity to comment when the issues come to Ministers for decision.

Q. I am copying this to the private secretaries <sup>to the members of</sup> ~~of~~ Cabinet Ministers, <sup>including the</sup> ~~the~~ Ministers of Transport; <sup>to Geoff Green (SD)</sup> and ~~Minister of~~ State, <sup>David Wright (C)</sup> CSD, and ~~to the Secretary of the Cabinet and to~~ Sir Derek Rayner.

~~M A PATTISON~~

C. A. W.



MAR 10 1900  
MAR 10 1900



attachment with PM.

2 PPS ~~MA~~

~~PRIME MINISTER~~

~~Officials are now to undertake further work on the 'Benefits' Rayner study. May we comment on your behalf as in draft below~~

MR PATTISON

ARRANGEMENTS FOR PAYING SOCIAL SECURITY BENEFITS

1. We spoke yesterday. I now attach a draft letter to Mr. Wiggins.
2. I am not attaching the papers referred to in the draft, as these are available to you already.
3. The draft draws on your letter of 12 March to Mr Brereton, but I see no difficulty about repeating part of it since it did not go all round the Cabinet, notably not to the Home Secretary (Chairman of H Committee).
4. The draft is self-explanatory, but let us have a word if you want something different

Sp

C PRIESTLEY

ENC: Draft letter

18 March 1980



SECRETARY OF STATE  
FOR  
NORTHERN IRELAND

✓ MAF  
NORTHERN IRELAND OFFICE  
GREAT GEORGE STREET,  
LONDON SW1P 3AJ

The Rt Hon Sir Geoffrey Howe QC MP  
Chancellor of the Exchequer  
Treasury Chambers  
Great George Street  
London SW1

18 March 1980

Dear Geoffrey.

RAYNER STUDY ON ARRANGEMENTS FOR PAYING SOCIAL SECURITY BENEFITS

Patrick Jenkin copied to me his letter of 29 February to you on this subject.

The Department of Health and Social Services for Northern Ireland uses very much the same methods of paying social security benefits as does DHSS(GB), and in particular has the same relationship with the Post Office, which of course is a United Kingdom body. Consequently, the proposals in the Rayner report, which officials in DHSS(NI) have seen in confidence and discussed with DHSS(GB), would produce broadly equivalent savings in local terms but would have similarly adverse impact on Post Office business in Northern Ireland.

I agree with Patrick that we must now proceed cautiously, in view of the controversy which the proposals have aroused, but I also share his concern that progress should be made, in view of the substantial administrative savings which could result. If you agree to establish an inter-Departmental group of officials to study this urgently, I should find it helpful if DHSS(NI) could be directly represented on the group. Such an arrangement has been most useful in other contexts.

I am copying this letter to the recipients of Patrick Jenkin's letter.

Yours ever

Humphrey

18 MAR 1980







*Sir Jenkins*

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

17 March, 1980

*Dear Patrick*

RAYNER STUDY ON ARRANGEMENTS FOR PAYING SOCIAL SECURITY  
BENEFITS

Thank you for your letter of 29th February which crossed with mine of the same date.

I agree that the next stage is for us to invite officials to examine the implications of the proposals and variants on them for the Post Office, and I agree that, as the department responsible for the Agency Agreement with the Post Office, the Treasury should chair an interdepartmental group. I attach the terms of reference I propose. If you agree with them, I should be grateful if you would ask your officials to produce the necessary factual information on the likely traffic flows of DHSS business on different assumptions about frequency of payment and direct credit into bank accounts. This will help the group to get off to an early start.

I also propose that the Post Office be officially represented in the group (as they would be in any examination of the Agreement). If therefore Keith Joseph agrees with the course proposed, I would be grateful if he would write formally to Sir William Barlow inviting him to nominate representatives. I have seen his letter of 13th March and think that the suggested terms of reference should adequately encompass the points he makes.

If therefore there are no objections to the terms of reference by Wednesday, 19th March my officials will invite representatives from interested departments to the first meeting.

/I am sending

The Rt. Hon. Patrick Jenkin, MP



I am sending copies of this letter to the Prime Minister and other members of the Cabinet, Paul Channon, Sir Derek Rayner, and Sir Robert Armstrong, with copies of my letter of 29th February to those who did not then receive it.

GEOFFREY HOWE

*[Handwritten signature]*

*[Handwritten signature]*