

Prime Minister

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This is the minute
I handed you at the end
of the meeting with Mr Heseltine
HLS 18/11

The paper tabled on health and social security programmes fairly summarises the issue for discussion at our meeting this evening, but it does not fully bring out how far I have already gone to help Treasury colleagues. My proposals already make up an exceedingly tough political package.

On health, I have agreed to the following:

- 1.30
- withdrawal of bids amounting to £184 million in 1982/83 and more in later years (some of these reflect unavoidable demand, eg. wheelchairs for the disabled; welfare milk for children, which will have to be met by cuts in other central services, eg. research);
 - prescription charges at £1.50 (instead of £1.15 for inflation); we should remember that when the Government took office the prescription charge was 20p and is now £1.
 - higher charges for dentures and dental crowns (up to £100) and for a course of routine dental treatment (up to £13, the full cost);
 - higher charges for spectacles (up to £40);
 - efficiency savings well in excess of those proposed by Patrick Jenkin, fully up to the limit of what is realistic and carrying risks that standards of service will suffer;

0.1%

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~~134~~
193

- reducing the proposed growth rate for hospital and community health services in 1983/84, 1984/85 by half to the minimum of one per cent necessary to maintain standards for the growing number of very old people and to allow doctors to make use of important medical advances - it will leave no room for improvements in care which require extra resources;
- provision for pay which will mean that this year and next NHS staff will suffer a cumulative reduction in living standards of between 9 and 12 per cent.
- my proposals for 1982/83 entail already a reduction in real terms in expenditure on the NHS.

On social security, we start from the position that £1.4 bn has already been cut in the past two years. On top of that, I have already agreed -

- to withdraw bids amounting to £172 m in 1983/84 - all on points where we are vulnerable to political criticism;
- to accept a cut on administrative expenses worth £30 m in 1983/84;
- to save half the expenditure on the Christmas bonus, by making it more selective (£50 m); *Suppl. W- widens out to:* £100
- ✓ - to defer the phasing out of the earnings rule (despite our manifesto pledge) saving £28 m in 1983/84 and £95 m in 1984/85;
- ✓ - to abolish supplementary benefit for 16-year olds (saving £35 m in 1983/84);
- to seek to find additional supplementary benefit savings in 1983/84, as suggested by MISC62 and I shall be discussing these with the Chief Secretary.

As you will know from the Chancellor's minute of 17 November, it is proposed that there should be an urgent Social Security Contributions Bill introduced shortly to increase contributions, possibly entailing a steep increase in employees' contributions. Concurrently my Social Security Bill will require amendment to make certain of the changes proposed above (Christmas bonus; supplementary benefit for 16 year olds). At the same time it is becoming evident that the 1981 uprating next week will have left a two per cent shortfall in the value of benefits: this will be made good for the retirement pension and other "pledged benefits" in November 1982, but for the other benefits, including supplementary benefit, it immediately raises the question whether we shall similarly make good the shortfall next year (as we are recovering a one per cent overshoot in this year's uprating). If we do not, we have a two per cent abatement before we start. Finally, the abolition of earnings-related supplement for which we legislated in 1980, takes effect in January, and will markedly reduce National Insurance benefits for many of those becoming unemployed or sick next year. We face considerable political difficulties on this point.

I am copying this minute to Willie Whitelaw, Geoffrey Howe, Leon Brittan and Sir Robert Armstrong.



Retirement

← *Shogell*

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Abatement



18 November 1981