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DEPARTMENT OF HEALTH & SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Parliament Street
London SW1

9 March 1981

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Dear Geoffrey,

SOCIAL SECURITY BILL

Thank you for your letter of 25 February about legislation on the one per cent reduction in social security benefits.

I am quite content with your suggestion for the two alternative bases on which possible Government amendments to clause 1 of the Bill might be drafted. One should provide for shortfall and overshoot for long-term benefits, including invalidity benefit, and the other should also do likewise for short-term benefits. Both provisions would exclude public service pensions.

Subject to any comments from Christopher Soames, I agree that draftsmen should proceed with this approach in readiness for any developments which might make it necessary to amend the Bill on this question.

I am copying this letter to the Prime Minister, Christopher Soames, Francis Pym, Michael Jopling, and Sir Robert Armstrong.

Yours
Patel

10 MAR 1981





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Civil Service Department
Whitehall London SW1A 2AZ
Telephone 01-273 3000

Minister of State

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
LONDON SW1P 3AG

9th March 1981

*John P...
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SOCIAL SECURITY BENEFITS - LEGISLATING FOR THE 1 PER CENT REDUCTION

You copied to Christopher Soames your letter of 25 February to Patrick Jenkin.

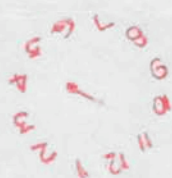
I agree that we must not improve the position of public service pensioners while the Scott Report is under consideration. But we should be equally wary of discriminating against them. The alternatives canvassed in your letter would - taken with the 1% reduction this year - be perceived by staff and pensioners as a marked worsening. The difficulties of achieving higher contributions - or, indeed, any negotiated solution - following Scott would then be greater. The solution we are looking for must, I feel sure, be a carefully balanced package and it will be harder to achieve if we make perceived discriminatory changes piecemeal in the meantime.

I do not believe a general provision on future shortfall is required at this time; there is no need to legislate immediately on 1982 and later upratings. If necessary, we could undertake to legislate next session. This would have two advantages. By then we shall have reached conclusions on Scott. And it would allow time to come up with a properly considered and workable proposal. You may not know that my officials, Patrick Jenkin's, and Parliamentary Counsel discussed the technicalities of Clause 1 last week. I gather there is much complexity, and a hurried amendment at this stage would carry a significant risk of proving to be unworkable.

I am copying this letter to the Prime Minister, Patrick Jenkin, Francis Pym, Michael Jopling, Sir Robert Armstrong and Sir Henry Rowe.

*John...
Barney*

BARNEY HAYHOE



11 MAR 1987



Social Services

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

25 February 1981

The Rt. Hon. Patrick Jenkin MP
Secretary of State for Social Services

Dr Patrick

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SOCIAL SECURITY BENEFITS - LEGISLATING FOR THE 1 PER CENT
REDUCTION

Thank you for your letter of 12 February.

I am glad to see that you agree with me that the utmost effort must be made to ensure that clause as drafted becomes law, and we do not have to give statutory extension to the concept of making good short-fall in future years. As I said before, we must rest on the Prime Minister's statement.

However I have accepted that we have to think about a possible fallback or fallbacks, although as I say I sincerely hope that they will not turn out to be needed. I am sorry to see that you are not now happy with what we had previously called Option B - giving the shortfall/overshoot protection in respect of state retirement pensioners and associated long term benefits, but not for short term benefits or public service pensioners. My own feeling is that short term benefits and public service pensions are very different, in that they are not covered by the Prime Minister's statement - on this point I cannot accept Christopher Soames' argument that because of the legislative link the statement should be deemed to cover public service pensions. And as I have argued before we must do all we can to prevent the extension of solid indexation.

We are at the moment only talking about possible fallbacks, and final decisions do not have to be taken now. Indeed it would be wise to wait and see in what form pressures developed before finally making up our mind. I accept, however, that it is desirable to have some basis on which Government amendments for use in extremis can be drafted, and I would like to suggest that this be done on two alternative bases.

/First,



First, notwithstanding what you say, I think we should try to stick to what we used to call Option B. I am not convinced it would be as hard to explain or justify this as you suggest. I accept the perhaps technical oddity that Option B means that we should be able to claw back overshoot on retirement pensions but not (without further legislation) on public service pensions or short term benefits, but I would I think be prepared to accept this; in due course we might want to do something anyway on public service pensions following Scott, and the short term benefits in question will be less widespread when we have ESSP (we are of course under no constraint so far as short term supplementary benefits go). I hope you will be able to agree that drafting at least should proceed on this basis.

My alternative suggestion would be to make the longer term protection in respect of undershoot (and claw back power in respect of overshoot) extend to state retirement pensioners and associated long term benefits, and social security short term benefits, but not public service pensions. The difference between this and Option B lies, of course, in the treatment of short term benefit. I feel strongly that we should not do anything which improves the position of public service pensioners for the better, pending our consideration of Scott. I accept, as I say, that we may in due course want to make other legislative changes in respect of public service pensions, and I can see that Christopher Soames might argue that the time for breaking the link with state retirement pensions should be then rather than now. But I think our supporters would find it very difficult to agree that a benefit we were statutorily conferring on state retirement pensions should extend to public service pensioners while Scott is still under study.

I do not ask at this stage that we should take a decision as to which, if either of them, of these options we should go for if we are pressed. I prefer the first, but a final decision can be taken in the light of circumstances. Meanwhile I hope that you and Christopher Soames can agree that draftsmen should proceed now on these two alternative bases.

I am copying this letter to the Prime Minister, Christopher Soames, Francis Pym, Michael Jopling and Sir Robert Armstrong.

GEOFFREY HOWE

A handwritten signature in black ink, appearing to read 'Geoffrey Howe', with a horizontal line underneath.



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25 FEB 1981



Social Services
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DEPARTMENT OF HEALTH & SOCIAL SECURITY
Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Lord Soames GCMG GCVO CH CBE
Lord President of the Council
Civil Service Department
Whitehall
London
SW1A 2AZ

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17/2

12 February 1981

Dear Christopher,

LEGISLATION FOR THE 1% REDUCTION

Thank you for your letter of 3 February.

I well understand your concern; and I think I can meet the specific point you raise. You will see from the attached copy of my letter to Geoffrey Howe what I have in mind, and why. This will leave us free to handle the forthcoming Bill in whatever way is best designed to secure our objectives; and will, of course, close no options for future policy changes.

I am copying this as for your letter.

Your ever
Peter



DEPARTMENT OF HEALTH & SOCIAL SECURITY
 Alexander Fleming House, Elephant & Castle, London SE1 6BY
 Telephone 01-407 5522

From the Secretary of State for Social Services

The Rt Hon Sir Geoffrey Howe QC MP
 Chancellor of the Exchequer
 Parliament Street
 London
 SW1

12 February 1981

Dear Geoffrey,

SOCIAL SECURITY BENEFITS - LEGISLATING FOR THE 1% REDUCTION

Thank you for your letter of 28 January. You will have seen Christopher Soames' letter of 3 February on the same subject.

I entirely accept your point that we must take our stand on the clause in the Bill as drafted and the Prime Minister's statement. But we must reckon with the very real possibility that our own Backbenchers as well as the Opposition will argue that the strength of the commitment supports rather than removes the need for putting it into legislative guise. The usual Government argument against legislation - an argument adopted by both Parties - is the need for flexibility. It will not be easy to persuade the House that a promise is just as good as legislation, or rather better.

As regards the form of a fall-back provision to be drafted for use in extremis, I would certainly want your officials associated with mine; and CSD officials would also be kept closely in touch. I have been thinking again about the form of the fall-back, and I would like to propose something rather more simple and to the point.

The amendment we would be seeking to counter would probably be one requiring making good of shortfall across the board and irrespective of whether the previous year's shortfall had been deliberate or accidental. If we could counter that with an amendment providing for making good only accidental shortfall, and balancing this with a power to claw back the previous year's accidental overshoot, we would have achieved all we could reasonably expect to achieve. The much more complicated Option B, with neither shortfall nor overshoot provisions for short-term benefits and public service pensions, would, I confess, be extremely hard to explain let alone justify. If, as is always possible, we want to make a deliberate distinction between different benefits in different years, I think we must legislate to that end. Shortfall

E. R.

and overshoot are a matter of correcting errors, and we cannot make a policy out of allowing errors to run on - especially when the result could be for short-term benefits and occupational pensions to do better at upratings than national insurance long-term benefit, because there is no power to recover overshoot.

The fall-back I now propose would of course meet Christopher Soames' point, while leaving us free to legislate for change in the public service pension arrangements if and when we thought this appropriate.

I am copying this as for your letter.

Your ever
Patric



Civil Service Department
Whitehall London SW1A 2AZ
01-273 4400

The Rt Hon Patrick Jenkin MP
Secretary of State for Social Services
Alexander Fleming House
Elephant and Castle
LONDON SE1 6BY

3 February 1981

Dear Patrick,

R.

LEGISLATION FOR THE 1% REDUCTION

Thank you for sending me a copy of your letter of 22 January to the Chancellor of the Exchequer. I have also seen his reply of 28 January. ^{TPM}

I am disturbed by your implication that the Government should be ready to introduce option B as an alternative to our agreed proposal. I believe this option would create more problems than it would solve. The arrangements for public service pensions increase are contained in that section of the Social Security legislation which covers increases for state pensioners and are directly linked to them. Public service pensioners will therefore have noted the Prime Minister's assurance and we must be careful to avoid charges of breach of faith. And it is surely not through a back bench amendment of this nature that the link between state and public service pension increases should be broken.

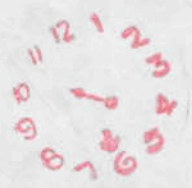
I hope that you will make every effort to stick with option A, reminding the House of the Prime Minister's earlier assurances. The Government's proposal could then be presented as retaining maximum flexibility in avoiding over-complication of what is already very intricate legislation.

I am copying this letter to the Prime Minister, Chancellor of the Exchequer, Chancellor of the Duchy of Lancaster and Chief Whip and Sir Robert Armstrong.

Yours ever

Christopher

- 3 FEB 1981





Treasury Chambers, Parliament Street, SW1P 3AG

01-233 3000 28 January 1981

The Rt Hon Patrick Jenkin MP
 Secretary of State for Social Services
 Department of Health and Social Security
 Alexander Fleming House
 Elephant and Castle
 LONDON SE1 6BY

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1981

Dear Patrick

SOCIAL SECURITY BENEFITS - LEGISLATING FOR THE 1 PER CENT REDUCTION

Thank you for your letter of 22 January. I am most grateful to you for your agreement that the Social Security Bill should be introduced on the basis of Option A set out in my minute to the Prime Minister on 16 January.

I note what you say about the possibility of having to shift our position, and I do not wish to object to your having an alternative clause prepared on the lines you suggest. No doubt my officials can be associated with this (and of course I need not emphasise the need to keep this piece of planning confidential). But I should say now that I should want a good deal of persuading to agree that we should table the alternative clause. The fact is that the Prime Minister has given a pledge that for the life time of this Parliament shortfall will be made up on state retirement pensions. That is good enough for me and it should be good enough for our supporters. But we shall see; as you say we may get an indication of our backbenchers attitude come Second Reading.

Incidentally, I can see that the Prime Minister pledge will need to be repeated in debate. But I hope we can rest on it as it is and not find ourselves extending or embellishing it. If the situation arises where support for the Bill as introduced depends on some extension, then we could examine that as an alternative to introducing Option B into the legislation. But this is a possibility we should need to consider together if the situation arose. Meanwhile we should rest on what was said in the House on 25 November and go no further.

/I am copying this

CONFIDENTIAL



I am copying this letter to the Prime Minister, the Lord President, the Chancellor of the Duchy, the Chief Whip and Sir Robert Armstrong.

GEOFFREY HOWE

A handwritten signature in black ink, appearing to read "Geoffrey Howe", with a horizontal line underneath.



Prime Minister ✓

as the Minister
for Health
and Social Security

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Secretary of State for Social Services

To note that we
may be forced to
make provision for future
shortfall
on pensions

267,

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
Parliament Street
London SW1

22 January 1981

Pensions

Dear Geoffrey,

The Prime Minister has now replied to your minute of 16 January and has indicated her preference for Option A if it can be carried through the House of Commons. I shall now arrange for Parliamentary Counsel to be instructed to draft accordingly but the Prime Minister's qualification is, of course, at the heart of the matter. My view on this was omitted, due I understand to a secretarial slip, from your minute (you will see that on page 2 four arguments are promised but only three are given). Perhaps I may state it for the record:-

"You [The Prime Minister] gave an unqualified assurance on shortfall so far as pensions go in the House on 25 November and that being so, there is no reason why it should not go into the legislation - and indeed it would be very difficult to resist an amendment which was subsequently put down to make it statutory. Such an amendment is almost inevitable."

I remain convinced that an Opposition amendment on these lines is inevitable. I shall naturally resist this and rest our case on the Prime Minister's pledge. If our supporters go along with this, all well and good, and perhaps we shall get a fairly clear indication of their attitude to emerge during the Second Reading debate. But we must be ready to bring in a clause of our own (on the lines of Option B assuming this will satisfy our supporters) if a defeat either in Committee or on Report looks possible. I intend therefore to ask for Parliamentary Counsel to be instructed to have ready an amended clause so that we may shift our ground quickly and gracefully if it becomes clear that our supporters are determined on a statutory commitment to making good shortfall. In this event I hope you will be able to agree to such an amendment being tabled.

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I am copying this letter to the Prime Minister, to the Lord President, and with copies of the previous correspondence to the Chancellor of the Duchy of Lancaster and to the Chief Whip.

Yours
Patel

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