



Prime Minister ⁽²⁾ 2
To note the components
of Mr Fowler's social
security savings.

DEPARTMENT OF HEALTH & SOCIAL SECURITY

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From the Secretary of State for Social Services

AT 3/11

John Gieve Esq
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3 November 1983

Dear John

SOCIAL SECURITY PROGRAMME

You wrote to me on 26 October about the measures by which my Secretary of State proposes to achieve the overall public expenditure savings agreed with the Chief Secretary.

I attach an up-to-date scorecard setting out the position. This includes a brief description of the new measures that need to be taken to meet the higher figure that was agreed. You will notice that, in view of the further measures that have been brought forward, the proposal to withdraw the non-householder housing addition applies only to those aged 18-20. Secondly, the footnote to the scorecard points out that there are interactions between the housing benefit and supplementary benefit proposals. The broad effect of these is to reduce the housing benefit figures and increase the supplementary benefit figures. The figures for total PE savings take account of these interactions. We are going through all the figures again to make as sure as we can the estimates of savings are reasonable. If any of the component elements in the package is found to vary, we shall adjust the overall package to ensure that we still deliver the promised savings.

My Secretary of State has asked me to enter one caveat. He understands that the Chancellor had not intended to discuss this year's review of National Insurance contributions until after Cabinet on 10 November. My Secretary of State would want to look again at the savings proposals, particularly those on housing benefit and family income supplement, since they also affect take home pay and the poverty trap, if the review were not settled before then. It is clearly important that the Government's decisions and the public expenditure round and the NIC review should be seen to be consistent with each other. With this in mind, he has now written to the Chancellor suggesting they meet to settle this issue before Cabinet on 10 November.

I am copying this to Robin Butler.

Yours
S A Godber

S A GODBER
Private Secretary

SCORECARD REVISED TO REFLECT AGREEMENT WITH CHIEF SECRETARY

| | 1984-85 | 1985-86 | 1986-87 |
|---|---------|---------|---------|
| AGREED TARGET (26.10.83) | 299 | 424 | 459 |
| of which approx. rate rebate savings | 48 | 50 | 52 |
| leaving as PE savings | 251 | 374 | 407 |

SAVINGS PROPOSALS

| | <u>Start date</u> | | | |
|--|-------------------|-----|-----|-----|
| <u>Supplementary Benefit</u> | | | | |
| 1. Withdraw non householder housing additions from 18-20 year olds | April 84 | 43 | 45 | 48 |
| 2. Restructure heating additions (ie. withdraw central heating additions with some off-setting improvements) | Nov 84 Regs | 29 | 50 | 53 |
| <u>National Insurance Benefits</u> | | | | |
| 3. Defer for 1 year abolition of retirement pensioners earnings rule | - | 30 | 100 | 115 |
| 4. Introduction of spouse's earnings limit for child dependency additions | Nov 84 Bill | 5 | 15 | 18 |
| <u>Family Income Supplement</u> | | | | |
| 5. Limit uprating to new/renewal claims | Nov 84 Regs | 5 | 15 | 16 |
| 6. Increase rent tapers from 21% to 31% and rate tapers from 7% to 9% | | 115 | 122 | 125 |
| 7. Increase minimum awards for rents from 20p to £1 and for rates from 10p to 50p | April 84 Regs | 5 | 5 | 6 |

| | <u>Start date</u> | 1984-85 | 1985-86 | 1986-87 |
|---|-------------------|-----------|-----------|-----------|
| 8. Increase deductions for non-dependants | April 84 Regs | 56 | 62 | 65 |
| 9. Increase thresholds for the High Rent scheme from 120% of average rent (115% for private tenants) to 130% | April 84 Regs | 6 | 6 | 7 |
| 10. (PE) savings in administration following substantial reduction in caseload as a result of the above changes | April 84 | 5 | 5 | 6 |
| | | ----- | ----- | ----- |
| Grand Totals | | 299 | 424 | 459 |
| of which public expenditure is rates rebates are | | 251 48 | 374 50 | 407 52 |

(this breakdown is only provisional)

NOTE: There will be some adjustment to these figures to reflect interaction of supplementary benefit and housing benefit. But the overall PE figures will not be affected.