

PRIME MINISTER

**SOCIAL SECURITY: UPRATING STATEMENT**

Attached is a copy of a minute from Mr. Newton and the latest draft of the statement he proposes to make on Wednesday. The issues arising are:

(i) DSS and Treasury have been arguing about the balance of the announcement. DSS wished to include all the good news from the PES statement, leaving all the bad news until the Autumn statement; whereas the Treasury wanted to hold back some of the good news so that there is a more balanced package to announce with the Autumn statement. The attached version leans more towards DSS, though the Treasury have signed up to it. Content?

(ii) Most controversial will be a further year in which child benefit is frozen, with additional support targeted on poorer families. There is a good case for this as a child benefit uprating benefits only the better off families as the increase is netted off income support. It will be necessary to sell this point very hard as there are many, including some on the Government side, who see child benefit as particularly advantageous for the poor. Content with what is proposed?

(iii) Mr. Newton is, however, worried about the politics of a series of one year freezes. He seeks an early opportunity to discuss privately with you the longer term future for CB. You will recall discouraging Mr. Moore from pressing for such a meeting a year ago, on the grounds that this was not an issue to be presented so far in advance of the next election. The case for discussion now is stronger, as next year's PES could be the last before the election, and you might want to have the matter resolved by then. Do you want a discussion now, or should Mr. Newton be encouraged to let the matter rest for a further year?

(iv) On disablement, Mr. Newton proposes to announce only those elements of his package which take effect next year, with the fuller picture to be set out in a White Paper towards the end of the year.

AT

24 October, 1989.

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