



DEPARTMENT OF HEALTH & SOCIAL SECURITY

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From the Secretary of State for Social Services

The Rt Hon Peter Rees QC MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
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30 March 1984

Dear Chief Secretary

I am generally content with the proposals in your minute of 21 March to the Prime Minister. There are two points I should bring out to avoid possible misunderstanding.

The first concerns the final year of the survey. I can see the case for your proposed method of creating the baseline for individual programmes: that by establishing baselines which imply a real terms squeeze, there will be room for adjusting priorities between programmes during the survey. But I take it that you are making this proposal against the background of the Chancellor's overall objective of holding public expenditure level in cost terms, ie a 3½ per cent cash increase from the published planning total for 1986/87. I regard that as an essential part of the framework for the Survey in order to allow an adequate margin for the priority bids. The baseline as defined will, otherwise, be pretty artificial as far as my programmes are concerned. For social security, for example, the planned uprating in 1986/87 will to a large extent be determined by inflation in the year to May 1986, and the 1987/88 uprating by inflation to May 1987. Even if the latter uprating were by no more than 2½ per cent, the programme as a whole would increase by 3½ per cent in the final year, even assuming no changes in the number of beneficiaries. My concern is, therefore, that we should be clear about how the baseline for programmes relates to the objective for the overall planning total which we shall presumably fix in July.

My other point is on timetable. As your officials understand, the proposed timetable gives rise to difficulties for the social security programme, because you will not be able to provide new economic assumptions until the end of April and key statistics of ours will not become available until towards the end of the month. The Red Book text we submit at the end of April can therefore be no more than

provisional. Until the demand-determined changes to the programme are known, requirements for manpower and administrative expenditure cannot be finally assessed and we shall not be able to take a firm view of policy on benefit expenditure. Subject to these caveats, we shall meet your deadlines provided economic assumptions are available by the agreed dates.

A further caveat on the timetable is that officials have sensibly agreed on a further round of forecasts between the Autumn Statement and the White Paper and, given the uncertainties of estimating, there is always the possibility of quite large changes, at least in cash terms. You will need to take this into account in setting the Reserve for 1985/86 at a realistic level.

Yours sincerely

Stephen Gold

for NORMAN FOWLER
(Approved by the Secretary of
State and signed in his absence)

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