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DEPARTMENT OF HEALTH AND SOCIAL SECURITY

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Telephone 01-210 3000

From the Secretary of State for Social Services

CONFIDENTIAL

The Rt Hon John Major MP
Chief Secretary to the Treasury
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20 June 1988

1988 SURVEY: SOCIAL SECURITY BENEFITS

Will report if request.

Thank you for your letter of 10 June. It is useful to have your early views on my proposals. I must take issue with you however, when you describe my bid as substantial. The bulk of my bid in the first survey year picks up the consequences for my programme of policy changes, such as the decision to retain the housing benefit taper at its existing level, which have been agreed with colleagues since the last survey. My bid for new policy initiatives is less than £150m, well under half a per cent of the social security programme. I do not think that this can be regarded as in any way substantial, although I recognise that my demand-bids do build up in the second and third survey years to reflect demographic change.

You suggest four areas for further discussion. Taking these in reverse order, we are, as I promised last November, making every effort to achieve more than the £240 million of savings from anti-fraud work already assumed in my baseline for 1988/89. My officials will provide yours with an interim progress report by the end of the month.

On tort, I can see strong attractions in principle for recovering social security benefits from tort damage awards, but I will need to give fuller consideration to the findings of the study commissioned from Touche Ross before I am ready to consult colleagues. You will be aware that Francis Maude is concerned about the increased burden on the insurance industry.

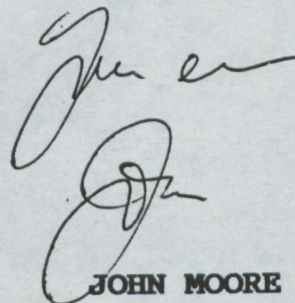
E.F.

I see major difficulty with the suggestion of changes to housing benefit to limit the protection given against rent increases. I must say that I cannot contemplate radical change to this benefit on anything like the timetable you suggest. After the effort devoted to considering and introducing the new scheme, and the concessions we have had to make to get it launched, it would seem to me quite out of the question politically to make a fundamental change to so controversial a benefit so quickly, and with so little evidence of abuse. I would also remind you that it was only last year, in the early discussions on the effect of new housing policies on benefit caseload and expenditure, that we decided explicitly not to pursue further the possibility of requiring everyone to pay some proportion of their rent. On unreasonably high rents, you will know that Nicholas Ridley and I have already proposed new arrangements for controlling expenditure in this area following the deregulation of new lettings.

This is not to say that there are not important issues here which it would be right to consider for the longer term, and I am quite prepared to talk about alternative solutions in this area over a somewhat longer timetable. Any such reexamination should most sensibly await the outcome of the current discussions on housing policy, however, as it would be essential to take full account of the interplay between benefit and housing policy. For this reason, and because the savings you are suggesting for the current survey would actually come out of the money transferred to us by Nick Ridley to cover the cost of achieving his policy objectives, I intend to involve him in our discussions if we are to pursue your ideas further.

Finally, on disability benefits, my officials are as you know still working on a reexamination of benefit provision in this area in the light of the OPCS survey results. As I said in my letter of 25 May, I shall be writing to you as soon as I can. I agree it would then be useful to meet to discuss the way forward.

I am copying this letter to the Prime Minister and to Sir Robin Butler.



JOHN MOORE