

Ref. AO82/0106

PRIME MINISTER

Social Security and Public Service Pensions

Mr Scholar in his minute of 9th November indicated that you were content with the broad approach to following up the Cabinet's decisions of 2nd November on social security and pensions matters set out in my minute of 8th November (Ref: AO82/0009). I undertook to put forward detailed proposals.

Social security issues

2. On the social security issues the immediate work has now been done. The Government's intention to recover some at least of the over-provision has been announced. On legislation, I understand that the Ministers most closely concerned are agreed that it would not be desirable to include anything about the over-provision in the bill which is to be introduced shortly concerning the National Insurance Surcharge, and that there will have to be a second bill some time next year. The remaining tasks are:

- i. to take final decisions about the extent of recovery of the over-provision and any offsetting improvements in social security benefits;
- ii. to consider the content and timing of legislation required for this purpose;
- iii. to consider the presentation of the final decisions.

3. One option would be to set up a group now to deal with these matters (which might be called the Ministerial Group on Social Security Issues) with the following composition:

- Chairman: Lord President of the Council
- Members: Secretary of State for Social Services
Chief Secretary, Treasury
Secretary of State for Employment
Chancellor of the Duchy of Lancaster

Handwritten notes:
 Lenti group and proposals
 Top Copy filed on Egon P.S. 1/2/74
 Remains P.S. 1/2/74
 I think it would be best to let us make a group as we would like to discuss the proposals
 checks on
 Prime Minister
 Agree (i) these proposals?
 (ii) this reply to Mr Fowler?
 Ms 15/11

The Lord Privy Seal and the Chief Whip would receive the Group's papers and would be invited to attend any meeting at which specific Parliamentary aspects were to be discussed.

4. It now seems unlikely however that such a Group would have much to do in the next two or three months. The Chancellor of the Exchequer will probably want to consider the main decisions of substance in the context of the next Budget, and it would be unusual to discuss decisions of that kind in a Ministerial Group. You may therefore prefer not to set up the Group at present but to keep it in mind as a piece of machinery which may have to be activated around the time of the Budget when the main decisions have been taken and further work is needed on the presentational and legislative implications.

Public service pensions issues

5. The same considerations do not apply to the specific issue of whether to break the existing statutory link between increases in the state retirement pension and index linked public service pensions. It would be desirable to set work in hand now both to consider the policy and the legislative implications in good time before next year's bill dealing with the over-provision. I therefore suggest that you might set up now a Ministerial Group on Pensions Legislation with the following composition:

Chairman: Chancellor of the Exchequer

Members: Home Secretary

Lord Chancellor

Secretary of State for Education and Science

Secretary of State for Defence

Secretary of State for the Environment

Lord President of the Council

Secretary of State for Social Services

Lord Privy Seal

Secretary of State for Employment

Minister of State, Treasury (Mr Hayhoe)

6. The Group is inevitably a large one because the issue affects not only civil service pensions but also those of the police, judiciary, teachers, armed services, local authority employees and National Health Service staff. As it is, the Group may need to bring in from time to time other Ministers such as the Foreign and Commonwealth Secretary, the Secretary of State for Scotland, the English and Scottish Law Officers and some of the nationalised industry sponsoring Ministers. Some Ministers, such as the Home Secretary, may well prefer to be represented by junior Ministers.

7. I also propose that there should be an Official Group with broadly similar membership.

8. If you agree with these proposals I will put the necessary arrangements in hand. I am also attaching a draft Private Secretary reply to the minute of 2nd November from the Secretary of State for Social Services.

RA

ROBERT ARMSTRONG

15th November 1982

DRAFT LETTER FOR PS/NO 10 TO SEND TO PS/SECRETARY OF STATE
FOR SOCIAL SERVICES

The Prime Minister was grateful for your Secretary of State's minute of 2nd November about the follow-up to the Cabinet's decisions earlier that day relating to social security and related matters.

As the immediate issues relating to presentation and legislation have now been resolved by the Ministers most closely concerned, the Prime Minister does not propose to set up a Ministerial Group for this purpose, although she will keep the possibility in mind when further steps have to be taken next year. A Ministerial Group will however be set up to consider the specific issue of the existing statutory link between increases in the state retirement pension and index linked public service pensions.

The Secretary of the Cabinet will be in touch further with your Secretary of State about the arrangements.

I am sending a copy of this letter to Richard Hatfield (Cabinet Office).



Main copy filed in -
Econ Pol : Inflation Proof d pensions
Pt 4

10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

SOCIAL SECURITY AND PUBLIC SERVICE PENSIONS

The Prime Minister was grateful for your minute of 15 November, in which you recommended that a Ministerial Group on pensions legislation be set up; and that there should be further consideration later of a further Ministerial Group on social security.

The Prime Minister has commented that presentational and other issues are arising already. She would accordingly like both of these groups to be set up immediately.

The Prime Minister would be grateful if you would put the necessary arrangements in hand.

Mes

18 November 1982

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on

Exec Pol : Infob on Prof Kevin Pt 4



10 DOWNING STREET

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Prime Minister

I'm sorry to trouble you yet
again with this.

You decided to set up both
groups of Ministers now; but
thought that the presentation / legislation
group should be ^{not a new group but} an existing
group on presentation chaired by the
Lord President.

Yes not

He has no such group currently.
Agree that a new group as at X
be set up as well as the 'link group'?

MLC 17/11

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Econ Pol: Inflation Prof Review PH4 J1
Econ. Pol

10 DOWNING STREET

From the Private Secretary

18 November, 1982.

Dear David.

The Prime Minister was grateful for your Secretary of State's minute of 2 November about the follow-up to the Cabinet's decision earlier that day about social security and related matters.

The Prime Minister has decided to set up two Ministerial Groups: one on presentational and other issues in relation to the decisions and legislation required for recovery of pensions over-provision: the second to consider the policy and legislative implications of the proposal to break the existing statutory link between the increases in state retirement pensions and index-linked public service pensions.

The Secretary of the Cabinet will be in touch further with your Secretary of State about the arrangements.

I am sending a copy of this letter to Richard Hatfield (Cabinet Office).

Yours sincerely,

Michael Scholar

D.J. Clark, Esq.,
Department of Health and Social Security.

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