

cc JR A
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Prime Minister


SOCIAL SECURITY REVIEW

Now that Cabinet has approved my proposals for the reform of the Social Security system, we need to decide some crucial issues on timing and implementation. The agreed objective is to introduce legislation in the next session and to bring in the major structural changes from April 1987. My concern now is to settle how to get from here to there.

2. The key to this is to change the uprating date from the end of November to the beginning of April. We need to have an uprating at the time of the change to mitigate the effect of losses. But it would not be possible to complete the changes in time for a November 1986 uprating without a high chance of the system breaking down. Thus, without a change in the uprating cycle, we could not bring in the new system until November 1987. A move to April upratings is also desirable on wider grounds:

- by aligning the tax and benefit years it increases the scope for integration and co-operation between the tax and benefit systems which both Nigel Lawson and I regard as desirable;
- it means that decisions on benefit rates taken in the public spending round can be implemented at the beginning of the financial year and therefore produce full year effects.

3. When we discussed this briefly on Monday you indicated that you felt it would be extremely difficult simply to postpone the November 1986 uprating to April 1987. I agree. While we might be able to claim to have met the letter of our pledge on pensions, we could not claim to have honoured the spirit. There is, however, a way in which we can make the change without that risk and without any additional cost. This can be achieved by bringing forward the 1986 uprating to, say, July. This smaller uprating would then be




followed by a further uprating in April 1987 to coincide with the full implementation of the reforms. From then on we would be on a new annual cycle based on April. Because of the pattern of inflation during the year this process in fact produces some overall savings.

4. This has several beneficial effects. In particular it would:-

- allow us to bring forward some changes from April 1987 to July 1986 and hence reduce the severity of losses from the main changes in April 1987;
- produce some savings from the Review in 1986-87 which we had not previously planned on. It could also give us some extra headroom in 1987-88 to help with the process of change, for instance in providing transitional protection for those on supplementary benefit who would otherwise face cash losses.

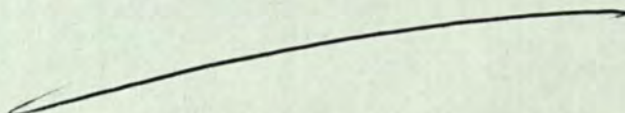
5. I shall be discussing the details of all this with Nigel Lawson. But the immediate issue is what we should say about this in the Green Paper. In my view it has considerable presentational advantages. Not only is it an important structural change and a move towards tax-benefit integration. It will also enable us to show that the implementation of the review will result in earlier upratings and higher benefit levels at crucial periods.

6. I am copying this minute to Nigel Lawson only. It would be helpful if we can have an early meeting to discuss it.



NF

15 May 1985





15 MAY 1985



JOHN H. ...

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10 DOWNING STREET

Prime Minister ①

Clearly a meeting is needed soon but it must have agreed figures on the options and on the baseline against which comparisons are being made.

I will arrange.

AT
1515

AT

1730-1815
Wed 22 May

CR

B/F for this meeting