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PRIME MINISTER

27 September 1985

SOCIAL SECURITY EXPENDITURE

Worried by the losers from his benefit reforms, Norman Fowler is claiming that separate agreed savings count towards his Review target of £800 million in 1987-88 and £1,000 million in 1988-89. He is trying to escape the tough cuts in Housing Benefit and Supplementary Benefit agreed in the summer.

You could tell Norman Fowler that you recognise there will be losers from the benefit reforms. But:

- It would be wrong to turn back now.
- We didn't just want structural changes in the benefit system for their own sake; he gets his reforms if the taxpayer saves some money.
- The changes in Housing Benefit will be controversial, but better a row over more than £0.5 billion of useful savings than the same row for smaller savings.
- If he wishes to change the way the cuts fall on different groups, he should do so within the agreed expenditure savings.

David Willetts
DAVID WILLETTS

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