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Treasury Chambers, Parliament Street, SW1P 3AG

The Rt Hon Viscount Whitelaw CH MC  
 Lord President of the Council  
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30 October 1985

Dear Willie,

**SOCIAL SECURITY**

Following our discussion in the Group this morning, Norman Fowler and I have reached an agreement on this programme. I summarise the position in this minute. As for all our MISC 120 deliberations, the figures are in terms of the social security programme excluding local authority relevant spending. Sums for the latter will be added before the Autumn Statement, in the usual way, with appropriate rounding of the resulting totals.

**1988-89**

For 1988-89 we have agreed that (subject to additions for estimating changes, as mentioned below) the Autumn Statement figure should be the baseline plus a sum calculated by reference to the estimated amount which would be needed for a full 3¼ per cent prices uprating in that year. Officials have now confirmed that £380 million (as in paragraph 6 of Norman's memorandum before us this morning) is a reasonable estimate for this addition.

It is understood between Norman and me that the figure for 1988-89, including further estimating changes for that year, is without prejudice to two issues:

- (a) whether a full prices uprating of benefits will in the event be agreed for 1988-89. Use of the inflation assumption in arriving at the Autumn Statement figure is purely to help meet Norman's presentational problems in the run up to the Review announcements; and is not to be regarded as acceptance of any principle on the point;

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- (b) the scale of the additions or savings on the social security programme, in 1988-89 or later years, which will arise from the Review measures. MISC 111 will be deciding later on the structure and scale of those measures.

To reflect point (b), the Group agreed this morning that the 1988-89 programme total would be annotated in the Autumn Statement to indicate its provisional nature. Subject to Norman's views I would suggest the following:

"The provision for 1988-89 is subject to adjustment in the light of decisions yet to be taken on the social security Review."

Norman has suggested that the public presentation of this approach may need changing to avoid revealing in the Autumn Statement itself the intention to postpone implementation of main Review measures to April 1988. This does not however affect his agreement to the figures themselves with the 1988-89 figure alone being subject to review.

1986-87 and 1987-88

For the record, I note here that the further reductions which we agreed for those years this morning are:

1986-87	1987-88
91	278

These savings are secured as described in paragraph 5 of Norman's memorandum, with a further £10 million in 1986-87, which Norman indicated that he would hope to find by implementing the mortgage interest restriction in supplementary benefit in October 1986.

There will be estimating changes to be added in both 1986-87 and 1987-88 as I indicated this morning.

Programme figures and further estimating changes

Again for the record, this morning's decisions leave us for the moment with programme figures of:

	1986-87	1987-88	1988-89
Survey baseline	41547	43553	44642
net additions	+891	+181	+380
after savings measures			
totals	42,438	43,734	45,022

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In our further discussions Norman and I agreed that the Autumn Statement should include the most realistic estimates available for expected spending on the social security programme. Our officials are working urgently on the latest figures, with the aim of providing revised estimates in time for the MISC 120 report to Cabinet, which will need to be finalised by the end of this week.

The estimating changes - to be added to the underlying figures now agreed as above - will need to cover two factors; first, the latest trend of spending on individual benefits, including a steep rise in Supplementary Benefit single payments and second, possible adjustment of underlying economic assumptions for the future, on unemployment for example.

I am sending copies of this minute to other members of MISC 120, to Norman Fowler and to Mr Unwin of the Cabinet Office.

*y  
Norman*

*John*

JOHN MacGREGOR