

PRIME MINISTER

MISC 111 : SOCIAL SECURITY REVIEW

You should know about a "non-conversation" which I had today with Ken Stowe about this meeting.

The papers make clear that the choice is between:

"Option 1" - when expenditure would be some £80 million below the Autumn Statement base line figure; and

"Option 2" - when expenditure would be some £200 million above base line.

Mr. Fowler recommends Option 2. The Chief Secretary backs Option 1.

Ken Stowe has warned Mr. Fowler that he may not get much support from you in requests for extra expenditure so soon after the public expenditure figures have been finalised. Ken has, rightly, discerned from your Weekend World appearance that the emphasis has to be on public expenditure prudence. Nevertheless, the enormous number of losers under Option 1 present real political difficulty*.

Ken Stowe is therefore ^{going} ~~keen~~ to explore tonight with Mr. Fowler the following approach:

Keep to base line levels of expenditure while maintaining Option 2 levels of benefit by finding £200 million compensating savings from elsewhere within the Department's £41 billion programme.

* Understandably, Ken Stowe says that Mr. Fowler will resist to the end publication of only the Chief Secretary's tables of losers and gainers attached to his minute. That is an overtly tendentious presentation. Maybe, he would accept publication of both sets of tables. (Indeed, the more tables presented obscuring the gainers and losers equation, the better.)

Ken does not know whether his Secretary of State will buy this approach, though he is confident that sufficient savings could, if the will was there, be secured.

Even if Mr. Fowler is persuaded to put forward this approach, the Chief Secretary will not, if he is wise, buy it at tomorrow's MISC. First he should

- get his officials to check that savings are genuine; and
- get the Chief ^{Whips} Secretary's assurance that any legislation necessary to secure them will be carried through the House.

I do not know how much of this will come out at tomorrow's MISC 111. But if there is an impasse between the DHSS and the Treasury you might wish to suggest the "compensating savings approach" sketched out above. But it will be essential that the two conditions (genuine savings and acceptability to Parliament) are met.

N.L.W.

(N.L. Wicks)

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