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NORTHERN IRELAND OFFICE
WHITEHALL
LONDON SW1A 2AZ

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SECRETARY OF STATE
FOR
NORTHERN IRELAND

John MacGregor Esq OBE MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
LONDON
SW1P 3AG

21st November 1985

Handwritten signature: *John*

Handwritten notes: *CDP*, *to write*, *DRS*, *2/11*

SOCIAL SECURITY REFORMS : NORTHERN IRELAND

will request if required.

Thank you for your letter of 31 October commenting on mine to Norman Fowler of 14 October on this subject.

The purpose of my letter to Norman Fowler was to record my concern on those proposals which I saw as likely to impact significantly in Northern Ireland. This is not to say that the impact of the reforms will not be significant elsewhere in the United Kingdom. Nevertheless, I considered it important to highlight the specific proposals which, for the reasons explained in my letter, may be particularly difficult for me and Richard Needham to defend given not only the socio-economic and political background in the Province but also the different framework of local government and the different administrative structure for housing benefit. I was not arguing for special treatment for Northern Ireland, given the acknowledged constraints of the well-established policy of parity in social security provision, but simply contributing to the consideration of the reform package on a national basis.

The proposal which will give us most difficulty in Northern Ireland, as compared to the rest of the United Kingdom, will be the requirement for housing benefit claimants to meet 20% of their rates. In your fourth paragraph you say that "Apart from the accountability objective the requirement that claimants should contribute to the

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cost of services is part of a complex housing benefit system". The housing benefit scheme is indeed complex, and will be considerably more complicated by the rates proposal, but the system for administering it in Northern Ireland is simple. The local authorities have no role, administration resting solely with the Northern Ireland Housing Executive and government itself.

I understand the justification for the 20% proposal was the desire to bring home to electors the need to maintain some control over the expenditure of local councils. My argument substantially is that this chain of responsibility does not exist in Northern Ireland except for that part of the rates which is determined by the District Councils. The major spending services are run under direct drive by Government Departments or by appointed Boards and I determine the rate, and I was simply pointing out that the logic of the argument does not apply with the same force in Northern Ireland. The 20% proposal will make the housing benefit scheme more expensive to administer; the increased cost of collection and recovery of small amounts of rates will obviously reduce any savings and could lead, certainly in Northern Ireland, to increased public debt. If the justification for the rates proposal is simply to make savings, I would not wish Northern Ireland to move out of parity with the rest of the system in view of the public expenditure implications. But against the savings achieved must of course be set off the substantial costs of collection and the extra staff required for administration.

On the question of the impact of changes, I cannot be dogmatic in the absence of statistics on gainers and losers in Northern Ireland. It seems however, that up to £20m pa could be abstracted from the social security system in Northern Ireland. My problem, politically, is that this could impact differentially on the Catholic community just at the time when through the Anglo-Irish process we are attempting to reduce alienation. It strikes me that the Northern Ireland experience can be extrapolated nationally and has some relevance for what is happening in the inner cities. Again, I do not argue for a departure from parity for Northern Ireland; the unpleasant political effects of the changes are likely to be reflected in the rest of the United Kingdom as in Northern Ireland.

I am anxious to ensure that the main points raised by concerned opinion in the Province have been fully considered. In doing so, I hope that we have added constructively to the consideration of these very difficult issues.

I am copying this response to the other members of MISC 111 and to Sir Robert Armstrong.

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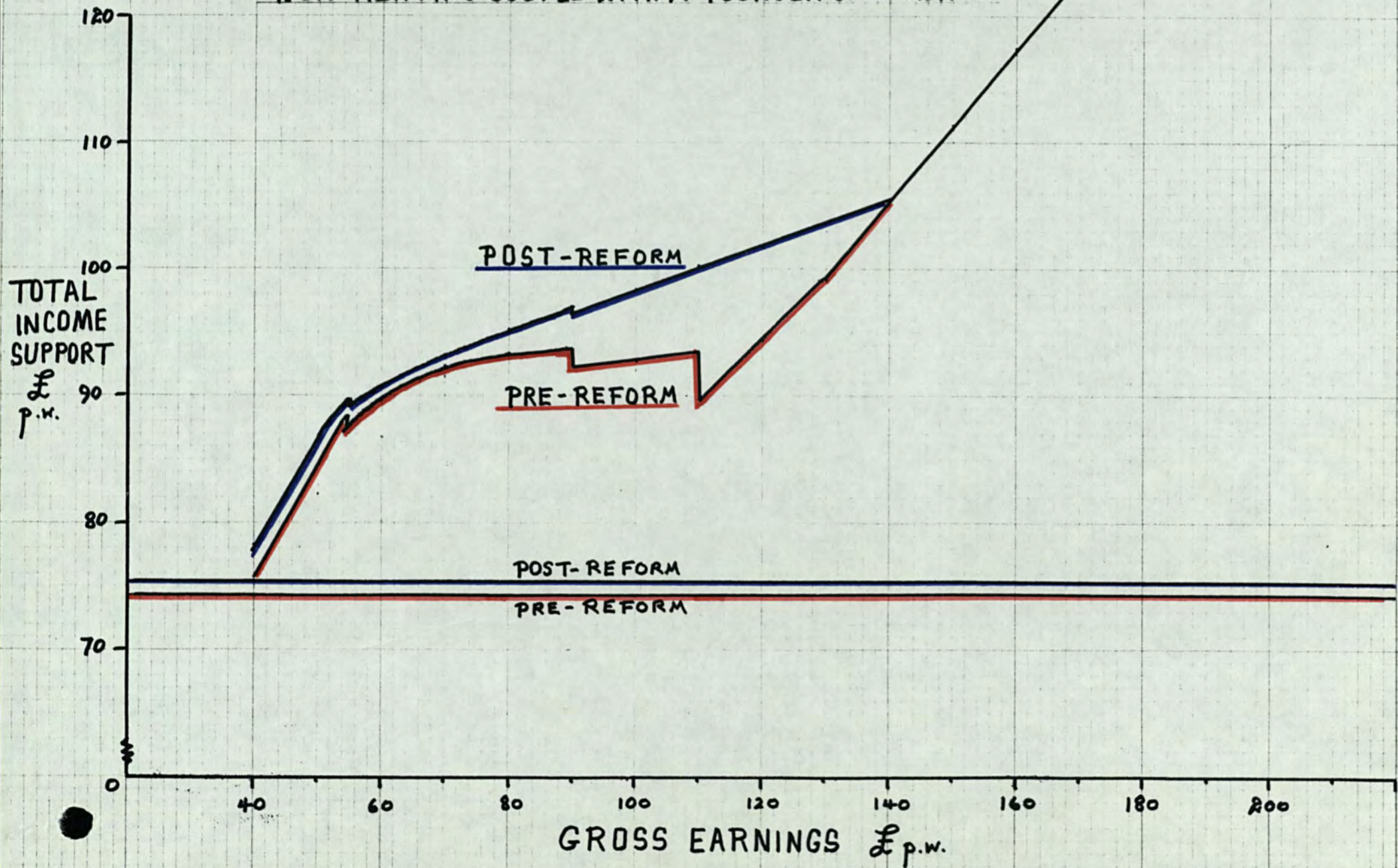
SOCIAL SERVICES

REVIEW

PT 3

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TOTAL INCOME SUPPORT: PRE AND POST REFORM
NON-RENTING COUPLE WITH 2 YOUNGER CHILDREN



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SECRETARY OF STATE
FOR
NORTHERN IRELAND

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The Rt Hon Norman Fowler MP
Department of Health and Social Security
Alexander Fleming House
Elephant and Castle
London
SE1 6BY

14 October 1985

Dear Secretary of State,

SOCIAL SECURITY REFORMS

When we met at Blackpool last week I expressed my concern about the possible effects in Northern Ireland of some of your proposals, and we agreed that I should write to you setting out my views before the meeting of MISC III on 15 October.

The Green Paper has been universally and vociferously criticised in Northern Ireland, not only by the usual claimant lobbies but by all the political parties, and most recently in a Report by the Northern Ireland Assembly which I have already sent to you. Apart altogether from the problems caused for individual claimants, the White Paper does need to be seen to have taken greater account of the specific problems of those in need in Northern Ireland.

Not surprisingly, most of the criticism has been directed at those aspects which would mean reductions in the existing levels of support, scant recognition being given to the areas of the reform which would improve the position of some groups of beneficiaries, for example, families with children. Nevertheless, factors such as the proportionately high dependence on benefits in Northern Ireland and the relatively high cost of living there, in particular the cost of fuel, mean that those proposals which would lead to reductions in real terms in the help at present available are viewed as particularly harsh in this part of the United Kingdom. It is against this background that we have been weighing up the likely impact in Northern Ireland.

There are three specific proposals which have a special significance for Northern Ireland if applied on a national basis.

The first is the proposal that all householders claiming housing benefit should be expected to pay a proportion (about 20%) of their

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domestic rates, the main argument in favour being that it might increase electoral accountability. This is the most difficult of your proposals to justify in Northern Ireland where elected District Councils are responsible only for a restricted range of services. The bulk of what (in other parts of the UK) should normally be local government services (education, welfare, police, roads, water, sewerage, housing and planning) are carried out in Northern Ireland by Government Departments or agencies appointed by and responsible to me, and I determine the regional rate. As a result we have achieved much tighter control of expenditure on those functions, and the link between rate borne expenditure and direct accountability to an electorate of ratepayers is much more tenuous in Northern Ireland than in Great Britain. In order to reflect accurately the principle underlying the GB proposal, the 20% requirement would have to apply to that part (about 30%) of the domestic rate levied by District Councils in Northern Ireland. However, the cost of collection of such sums could be difficult to justify on a value for money basis and even this proposal could lead to an increase in public debt and re-open controversy in Northern Ireland about the benefit allocation system which deducts arrears from benefits at source.

The second proposal which is likely to cause difficulty locally concerns the level of support for claimants in the 18 to 25 age group, particularly householders. I understand that this is a problem which you may wish to reconsider on a national scale, but it is of particular importance here as there would appear to be proportionately more such claimants in Northern Ireland than in the rest of the United Kingdom. I would therefore support any moves aimed at modifying the original proposals for this particular age group.

Finally there is the question of the resources to be made available for payments under the proposed new Social Fund. Although the existing single payments regulations in Northern Ireland are to all intents and purposes identical to those which apply in Great Britain, proportionately the level of expenditure in Northern Ireland is significantly higher both in terms of the number of payments and the amounts involved. The main reasons for this are believed to be the higher numbers of claimants with children, chronic long-term unemployment and high take-up. I understand that research is to be undertaken into the existing pattern of single payments expenditure with a view to devising an equitable formula for distribution of the available funds. While conscious of the need to maintain control of such expenditure, and also conscious of the need for Northern Ireland to be guided by any national formula in setting the level of its Social Fund, I believe that the formula should be sufficiently flexible to reflect the needs of particular regions as indicated by, for example, past experience and the composition of the local caseload.

I have a further concern that the changes are much more likely to affect the Roman Catholic community in places like West Belfast and

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Londonderry where there is a high dependence on benefits and a high take-up of single payments, and growing alienation and disaffection.

Apart from these specific suggestions, it will be important for me to have adequate information on which to weigh up the effects of the final proposals on Northern Ireland where some of the main changes could impact disproportionately compared with the rest of the United Kingdom. In order to calculate gains and losses, gainers and losers, and costs and savings, I should be grateful if your Department can ensure that we have figures for Northern Ireland at the same time as those for Great Britain. Richard Needham and I will need to have convincing arguments in defending the Government's position.

I am copying this letter to other members of MISC III and to Sir Robert Armstrong.

Yours sincerely,

Jonathan Duke-Evans

TK

(Approved by the Secretary
of State and signed in
his absence)

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