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PRIME MINISTER

I have seen a copy of Norman Fowler's minute of 5 February about delaying an announcement on social security benefit upratings until May. Tm.

2. I see major disadvantages to this proposal.

3. First, it would commit us to the publication of three forecasts of inflation during the year. Two are required by the Industry Act, at Budget time and in November. I do not think we should go out of our way to add another.

4. Second, on past performance, we cannot be sure that the forecasts would be more accurate if delayed three months. You may recall that there was considerable speculation in July 1980 that the price forecast made at Budget time (16.5 per cent) might be too low by 2 or 3 percentage points. Instead the outturn proved to be 15.3 per cent. It was this which caused us to pass legislation in the Social Security Act 1981 to make the initial forecast of price movements the operative one for the uprating, so that the Secretary of State was not required to take a fresh view if the implementing regulations were delayed. A change in the decision date would appear inconsistent with that.

5. Third, I think it important that these social security decisions be taken in the Budget context. For example, we should inevitably face questions about the effects of Budget decisions on families which could only be answered sensibly by reference to child benefit. There is also an inevitable



cross-relationship between the single personal tax allowance and benefits paid to widows and single women over retirement age. And this year in particular I do not believe we could defer yet again an announcement about the shortfall on unpledged benefits. Indeed commitments made in the debate on 8 December related specifically to an announcement at Budget time.

6. We could of course try to steer round these problems if we thought the game worth the candle. But in my view it would not be. We should be asked why we were deferring the decision; and the only reason we could give would cast doubt on the accuracy of the forecasts made in the Budget, and hence undermine its credibility.

7. I am sending a copy of this to the Secretary of State for Social Services.

(G.H.)

10 February 1982



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