PERSONAL

CHIEF SECRETARY TO THE TREASURY

1. TF

2. pa.

Treasury Chambers, Parliament Street, SW1P 3AG

David

We spoke about the make-up of the £1bn savings from the social security reviews. The attached note summarises the arithmetic. I should be grateful if you could regard this as personal to you - if you want a formal analysis / briefing, it is really for DHSS to provide. You know how sensitive they are about all this!

Richard 18/12

2086/35

PERSONAL

Social Security Review - £1 billion of Savings

1. The detailed score card is complicated becuase some of the savings (ie school meals and milk) are not on the DHSS programme, some (ie the first tranche of savings on supplementary benefit single payments) were scored in the 1984 survey, the widows benefit changes have a cost in the first year and then generate savings, and there is transitional protection in the first year to allow for.

2. But the arithmetic is broadly as follows:-

		£ million
(i)	Housing benefit savings as quoted in the Social Security White Paper	-450
(ii)	the net cost of family credit, compared with projected spending on FIS of £140m, and taking account of savings on the health and education programme, and the knock-on effect on housing benefit (excluded from the figure above). White Paper calls this "about twice as much as FIS"	+170
(iii)	Extra cost of income support, as compared with projected spending on supplementary benefit scale rates and weekly additions (mainly heating additions). (Arithmetic takes into account change in capital rule and saving on mortgage interest payments). White Paper talks of "some increase as compared with present rates and weekly additions".	+100
(iv)	Saving from replacing single payments, and death and maternity grants with Social Fund. No figures revealed in White Paper	-360
(v)	Savings from students package (net of extra money on DES programme	-20
(vi)	Savings from industrial injuries package	-40
(vii)	Sundry other savings (as required by MISC 111)	-70
(viii)	Child benefit (partial uprating in Nov 1985, no uprating in July 1986, no uprating in April 1988)	-325
		£-995m

PERSONAL

3. Of the total, about £400 million is non-pe (rate rebates).

4. The figures exclude the savings on widows benefits, which produce a net cost in 1988-89 of £25, and then start to generate savings building up to about £20 million. The figures also exclude transitional protection costing about £130 million in 1988-89.

5. On the other hand, they also exclude savings in 1988-89 from the new uprating cycle of £525 million, postponement of the abolition of the pensioners earnings rule (worth about £100 millionin 1988-89) and £70 million (net of admin) on fraud.

Note: This arithmetic is all based on detailed figures previously agreed with DHSS. But they have not been confirmed with DHSS and the presentation has not been clared with them. The figures must not be used publicly

DM

SECRET

cc BG

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Tony Newton Esq OBE MP
Minister of State
Department of Health and
Social Security
Alexander Fleming House
Elephant and Castle
LONDON SE1

NBPM

16 December 1985

Dear Tony,

SOCIAL SECURITY REVIEW

File with TF

I have seen your letter of 6 December to Leon Brittan about the proposed changes to the industrial injuries scheme. As these changes will help in a small way to reduce the burden on employers, I am content with them, and with your proposals for dealing with their introduction.

I am copying this to the Prime Minister, Leon Brittan and John MacGregor.

Yours,
Ken.

KENNETH CLARKE

SECRET

SOCIAL SERVICES: Review: Pt 4

SECRET

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY

Telephone 01-407 5522

From the Minister of State for Social Security and the Disabled

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The Rt Hon Leon Brittan QC MP
Secretary of State for Trade and Industry
Department of Trade and Industry
1 Victoria Street
LONDON
SW1H QET

-6 DEC 1985

NBPM.

Dear Leon.

SOCIAL SECURITY REVIEW

As you will know, Norman Fowler has agreed with the Chancellor and the Chief Secretary upon savings measures which would keep our review programme within the figures in the Autumn Statement. These measures include changes to the industrial injuries scheme. Work is proceeding urgently on the detail of possible changes, but it will not be practicable to make more than a general reference to what is planned in the forthcoming White Paper on social security review. Moreover, in order not to delay the publication of the Social Security Bill, the Clauses needed to implement these changes will have to be introduced as amendments.

To meet these problems, we propose to include in the White Paper a reference in fairly general terms to our intention to bring forward proposals for change, and to say that such proposals would be the subject of a consultative paper to be put to the Industrial Injuries Advisory Council before final decisions were taken on the details of legislation. The IIAC includes representatives of the CBI and TUC, and the consultative paper would also be made available to other organisations who might wish to comment.

Among the measures we have in mind are removing or reducing gratuities for relatively slight (and often temporary) disablement, while retaining (and in some cases improving) compensation for actual loss of earnings arising from disablement; phasing out the present continuation of earnings compensation beyond working age; and bringing together the provision for widows in the industrial injuries scheme with that in the ordinary national insurance scheme.

The White Paper will have to be finalised by the middle of next week, however, and I am writing to ask whether you and David Young, to whom I am copying this letter, are content that we should go ahead on this basis.

I am also copying this letter to the Prime Minister and to John MacGregor.

Ever,
Tony

TONY NEWTON