Refers to S/S DHSS to CST 4/7/86.

cc BT

10 DOWNING STREET

Prime Minister 2

The business managers think it would be best to announce the restrictions on single payments on 17 July, the day of the by-election at Newcastle under Lyme.

DRN
8/7

It could have an adverse effect. It will lead the 5pm, 6pm, 9pm news.

MT

SECRET

MO CCDW

15

10 DOWNING STREET

From the Private Secretary

9 July 1986

SUPPLEMENTARY BENEFIT: SINGLE PAYMENTS

The Prime Minister has seen the Secretary of State for Health and Social Security's letter of 4 July to the Chief Secretary about the timing of the announcement about restrictions on single payments. She understands that the conclusion reached at a meeting earlier this week was to make the announcement on 17 July, the day of the by-election at Newcastle-under-Lyme. The Prime Minister has commented that this could have an adverse effect on the result, since the announcement will lead the news bulletins throughout the evening, though she recognises that the announcement will not be easy, whenever it is made.

BF

The Prime Minister would I am sure find it helpful to have a note setting out the arguments which led to this choice.

I am copying this letter to Joan MacNaughton (Lord President's Office), Andrew Lansley (Office of the Chancellor of the Duchy of Lancaster), John Turner (Department of Employment), Murdo Maclean (Chief Whip's Office), Jill Rutter (HM Treasury) and to Michael Stark (Cabinet Office).

David Norgrove

DN

Ms Alison Smith,
Lord Privy Seal's Office.

SECRET

CC D/W

LORD PRIVY SEAL

PRIVY COUNCIL OFFICE

WHITEHALL, LONDON SW1A 2AT

10 July 1986

Dear David,

SUPPLEMENTARY BENEFIT: SINGLE PAYMENTS

Thank you for your letter of 9 July setting out the Prime Minister's comments about the timing of this announcement.

The Lord Privy Seal, the Chief Whip, and the Minister and Parliamentary Under Secretary for Social Security discussed this earlier in the week. The view reached then was, as you say, that the announcement should be made on 17 July, notwithstanding that this is the date of the bye-election at Newcastle-under-Lyme. The reasons for this decision were as follows:

1. Since the regulations dealing with single payments would have to be taken in the House before the summer recess, the Business Statement on 17 July would in any event have to contain an announcement that there would be a debate on the regulations in the week beginning 21 July. There was no conventional way of announcing the business which would avoid this and there was, therefore, no way in which the announcement could be delayed until after the bye-election.

2. It was the view of the Business Managers that the impact of the announcement would be less detrimental if the announcement of the timing of the debate and of the restrictions themselves were made on the same day, than if the announcement of the restrictions had been made, for example, a week or so before polling day, and the announcement of the debate followed on polling day itself.

3. It would be unhelpful to the passage of the Social Security Bill, which is due to be before the Lords for Report Stage on 14 and 15 July, if this announcement were made before then.

I understand that the Lord President and the Chancellor of the Duchy of Lancaster concur in this approach.

I am copying this letter to Joan MacNaughton (Lord (1) President's (2) DHSS Office), Andrew Lansley (Chancellor of the Duchy of Lancaster's Office), John Turner (Department of Employment), Jill Rutter (Chief Secretary's Office), Murdo Maclean (Chief Whip's Office) and Michael Stark (Cabinet Office).

Yours,

Alison

ALISON SMITH
Private Secretary

David Norgrove Esq
10 Downing Street

10 DOWNING STREET

Prime Minister

I have alerted people to the need for helpful statements to make with this and also on July 24.

I think the frigate orders <u>may</u> be one possibility.

DRW
10/7

CC/1
CCDW
13A

DEPARTMENT OF HEALTH & SOCIAL SECURITY

Alexander Fleming House, Elephant & Castle, London SE1 6BY
Telephone 01-407 5522
From the Secretary of State for Social Services

The Rt Hon John MacGregor OBE MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
LONDON
SW1P 3AG

4 July 1986

Prime Minister
To be aware. Await the views of the business managers?
DRN 7/7

Yes

Dear John,

SUPPLEMENTARY BENEFIT: SINGLE PAYMENTS

When we last met to discuss the savings package we recognised that there was a difficult issue over the timing of the laying of the regulations. I undertook to come back to you after the final Lords' Committee session, which was last Monday.

For the benefit of those colleagues to whom I am copying this letter, I should set out the background to the changes we are proposing. Single payments claims and expenditure have exploded in recent years. We urgently need to bring them back under control and propose to do this by defining much more clearly and restrictively the circumstances in which payments can be made. In 1979, we made about 1 million payments at a cost of £63 million at 1985 prices. As recently as 1982, payments ran at about 1½ million and expenditure at £102 million at 1985 prices. Our estimate for 1985 is for over 4 million payments and expenditure of over £300 million. Clearly we could not allow this to continue, particularly against the background of the significant real improvements we have made in weekly benefit rates, and of the enormous burden that these claims are now placing on DHSS local offices.

The package of measures we put to the SSAC was designed to counter this trend. What we are seeking to do, briefly, is to redefine what we will pay for, to whom, when and how much; and I am committed to savings of £130 million full-year savings in 1987/88, and of £90 million in the current year. But the changes we are proposing are inevitably controversial, because they affect the poorest families. The SSAC have come up with a strongly critical report, the thrust of which is that the growth in claims and costs reflects greater unmet needs and that the changes run the risk of causing widespread hardship and severe difficulties for claimants. The main changes, with the SSAC's response, are set out in the Annex.

E.R.

I do not think there is any alternative but to proceed with the changes. The only outstanding item between us is the question of a concession on the miscellaneous needs payments for people moving - at a cost of slightly more than £3 million in the remainder of this year. Our officials are agreed there are sufficient savings in the package to cover this in a full year. All the experience is that some concession is worth more than its financial cost in handling savings measures - all the more so in this very difficult case and given the conclusion I have reached on timing. I hope you will agree. Even so there is bound to be heavy opposition and adverse publicity, but we can mount a robust defence of what we are doing and why. Negative resolution regulations are required, which are bound to be prayed against, and I ought to lay these, with the SSAC Report and my response, in time to allow debate before the Summer Recess. I must warn, however, that the timing is complicated by the position of the Social Security Bill in the Lords and by other factors in the coming weeks.

Timing

Two main parliamentary factors govern the timing of the announcement of the decision to go ahead. First, as you know, we must reverse or change the recent defeats in the House of Lords on the Bill, notably the rejection of the minimum 20 per cent contribution to rates and the question of appeal rights under the Social Fund. The Social Fund will replace single payments in April 1988 and the proposed changes are an important step on the way to their abolition then. There is a risk that announcing the changes whilst this crucial issue is with the Lords could heighten the controversy and possibly make handling the issue more difficult.

Second, we have to recognise that our timing options are also restricted by the imminence of the Summer Recess, the requirement to put the draft regulations to the JCSI, and the paramount importance of making these changes as soon as possible. We cannot afford to leave them until October or November. Already some of our offices are snowed under with claims encouraged by welfare rights organisations; we would lose savings at £2½ million a week; and we would allow time for yet more claims and new expenditure. It is difficult to see how we could announce and implement the decisions after the House has risen. Therefore an announcement which allows sufficient time before the Recess for the regulations to be debated seems inescapable.

The critical dates seem to be:

14/15 July	Lords Report Stage
17 July	Unemployment figures (and by-election)
21 or 22 July	Lords 3rd Reading (and possibly last meeting of JCSI - on 22 July)
25 July	Possible start of Recess.

.E.R.

A complication with the Lords timetable is the need to allow enough time to deal with the Lords defeats. The foregoing dates are very tight especially since, notwithstanding remedial action in the Commons, the Lords could insist on their Social Fund amendments, which raised issues of principle in their debates. If so, there would need to be time to go back to the Lords from the Commons and to the Commons again. A further complicating factor is the timing of Parliamentary business statements and the JCSI.

We need to find the best time during the next three weeks or so to slot in the single payments change still leaving room for debate before, at the latest, 25 July. There is no obvious solution we are boxed in by various considerations and will have to judge which is least damaging for us. There are a number of factors:

- making an early announcement would prejudice the handling of the Bill and arm our opponents in advance of further important consideration in the Lords on 14/15 July and the Commons in week commencing 21 July;

- delaying it until week commencing 21 July risks, however, losing JCSI consideration before the debate, reduces the changes of a debate that week and thus increases the political difficulty over a controversial package;

- handling it in week commencing 14 July after Lords Report runs up against other obvious difficulties.

My own conclusion, after careful consideration, is that our best course would be to make the announcement as soon as possible next week. In that way we can ensure that a debate takes place while also selling as hard as we can the advantage of the course that we are taking. The abuse of the present system is a matter of public concern, and our approach should be that we are tackling it, and tackling it now.

I am copying this to the Prime Minister, Willie Whitelaw, Norman Tebbit, John Biffen, David Young and John Wakeham; and to Sir Robert Armstrong.

Yours ever,

Norman

NORMAN FOWLER

ANNEX

PROPOSED MAIN CHANGES TO SINGLE PAYMENTS OPPOSED BY THE SSAC

Main proposals	SSAC Responses	Government's responses
1. Maternity needs		
- List of items to be defined with set quantities and levels of payment	Recommend longer list (as suggested by the Health Visitors Association)	Not accepted - proposed list of items reflects present list of items
2. Furniture		
- Shorter list of 12 basic items with a standard amount (£50 for claimant, £25 for each dependant) for miscellaneous household items	List should also include floor coverings, curtains, towels, table/chairs; or, alternatively, higher amounts should be paid for miscellaneous household items	A longer list is not acceptable. A possible small concession is being considered, subject to Treasury agreement, to pay £50 for each dependant rather than £25, and to include childless claimants
- Tighter qualifying conditions for payments to those moving home	Restrictions should be eased to allow certain vulnerable groups to qualify	Generally not accepted - criteria drawn reasonably widely, but will cover cases of marital breakdown
	Should remain at 3 months	Not accepted
- replacement or provision of certain items to be made only where claimant has benefit 12 months or more (unless for elderly, chronically sick or disabled members of family)	oppose extension of time limit to 12 months (from 6 months) also concerned about effects on long-term unemployed, pregnant women and children	Not accepted - proposals strike reasonable balance. Time limit will not apply to certain items or to certain vulnerable groups
- payments for replacement items not to be made within 3 years of last payment	proposal should be dropped - should pay where need exists and not due to claimant's failure to look after them	Not accepted - need clear operable rule. Durable items (like beds/cookers) should last at least 3 years

3. <u>Bedding</u>		
- provision to be restricted to elderly sick or disabled, child moving to a bed	major change; unreasonable to expect claimants to pay for bedding from weekly benefit	Not accepted - giving help where reasonable to do so. Claimants should budget for replacements (bedding and clothes)
4. <u>Redecoration</u>		
- to be restricted to families with elderly, sick or disabled person	resisted - a harsh measure	Not accepted - help will still be available to keep a home habitable and for vulnerable people
5. <u>Clothing</u>		
- tighter rules for replacing lost, damaged destroyed clothing	anxious about possible hardship in genuine cases	Provision is open to abuse. Help can be given under health and safety fallback
6. <u>Payments for costs incurred before claiming</u>		
- provision to be abolished	should be retained by to help people unaware of entitlements	Not accepted - very difficult, complicated rules which need to be simplified
7. <u>Health and Safety Payment</u>		
- provision to exclude needs covered by the miscellaneous items lump sum payments	resisted; should be no rerstrictions on items for which payment under health and safety fallback can be made	Not accepted - main safety net remains but this is where payument is only means of avoiding serious risk to health/safety; not appropriate to use this to circumvent purpose of miscellaneous needs rules