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10 DOWNING STREET

From the Private Secretary

SIR ROBERT ARMSTRONG

SOCIAL SECURITY: PRESENTATIONAL ISSUES

The Prime Minister was grateful for your minute of 8 November (ref. A082/0009).

The Prime Minister agrees with the broad approach in your minute and would be grateful if you would put forward more detailed proposals. Presumably they would include, or would be in the form of, a draft reply to Mr. Fowler's minute of 2 November?

MS

9 November 1982

Cry



Prime Minister ①

Ref. A082/0009

PRIME MINISTER

Yes not

In the light of Sir R
Armstrong's advice, do you now
agree to X?Social Security: Presentational Issues

MCS 8/11

The Cabinet decided on 2 November that a small group of Ministers most closely concerned should consider the presentational aspects of the decision of principle to offset at least part of the excess provision for inflation in the November 1982 uprating; the group was also to consider the possibility of breaking the existing statutory link between increases in the State retirement pension and index-linked pensions in the public services. I understand that you wish the Lord President of the Council to take the chair of such a group.

2. The minute of 2 November ^{with MCS?} from the Secretary of State for Social Services suggests that the other members should be the Secretary of State for Industry, the Chief Secretary, Treasury, the Minister of Agriculture, Fisheries and Food or the Secretary of State for Employment, and himself.

3. I think that there are three aspects to these issues:

(a) First, there is the handling of the necessary legislation. I understand that, in particular, the Treasury need a very early decision on whether the legislation that they are preparing on the National Insurance Surcharge should include powers to deal with the over-provision. The Lord President is already discussing this with the Chief Secretary, Treasury and the Secretary of State for Social Services.

(b) Secondly, there is the elaboration in the rather longer-term of the Government's public justification of its decision to offset the over-provision; and the consideration of both the substance and the presentation of decisions on the balance between moderating the extent of recovery and making improvements elsewhere in the social security system.

(c) Thirdly, there is the possibility of breaking the link between increases in the State retirement pension and increases in public service pensions.



4. I suggest that the Ministers most concerned with (a) and (b) are the Lord President, the Secretary of State for Social Services, the Chief Secretary, Treasury, the Secretary of State for Employment, the Chancellor of the Duchy of Lancaster and, when specific Parliamentary aspects are involved, the Lord Privy Seal and the Chief Whip. I would not have thought that the Secretary of State for Industry or the Minister of Agriculture, Fisheries and Food, both referred to in Mr Fowler's minute, need to be involved, unless you would like to include them for political reasons.

5. Separate issues are raised by (c). If the link between increases in the State retirement pension and public service pensions is broken, there will be no mechanism for increasing public service pensions. The Government will then be obliged to say what, if anything, it proposes to put in place of the existing system. That will naturally raise the issues discussed in the Scott Report, which the Cabinet has so far found intractable. If they are to be pursued, it will be necessary to involve the Ministers with responsibility for public service pension schemes (the Home Secretary, and the Secretaries of State for Defence, Industry, the Environment, Social Services and Scotland), and perhaps Ministers with sponsoring responsibilities for the nationalised industries, as well as Treasury Ministers and the Lord Privy Seal.

X 6. This suggests that the right course is for the Lord President to be nominated as the Chairman of a group with a small permanent membership but with the opportunity to bring in other Ministers as required. Its first task would be to consider the urgent issues mentioned at paragraph 3 (a) above; and this is already in hand informally. It could then go on to consider the issues mentioned at paragraph 3 (b). I think, however, that if the issues at paragraph 3 (c) are to be adequately considered - in effect, this means addressing again some of the main Scott issues - it will be more convenient to do this in a separate forum.

7. If you agree with this broad approach, I will put forward more detailed proposals.

ROBERT ARMSTRONG

8 November 1982