

CONFIDENTIAL

Ref. AO82/0106

PRIME MINISTER

Social Security and Public Service Pensions

Mr Scholar in his minute of 9th November indicated that you were content with the broad approach to following up the Cabinet's decisions of 2nd November on social security and pensions matters set out in my minute of 8th November (Ref: AO82/0009). I undertook to put forward detailed proposals.

Social security issues

2. On the social security issues the immediate work has now been done. The Government's intention to recover some at least of the over-provision has been announced. On legislation, I understand that the Ministers most closely concerned are agreed that it would not be desirable to include anything about the over-provision in the bill which is to be introduced shortly concerning the National Insurance Surcharge, and that there will have to be a second bill some time next year. The remaining tasks are:

- i. to take final decisions about the extent of recovery of the over-provision and any offsetting improvements in social security benefits;
- ii. to consider the content and timing of legislation required for this purpose;
- iii. to consider the presentation of the final decisions.

3. One option would be to set up a group now to deal with these matters (which might be called the Ministerial Group on Social Security Issues) with the following composition:

Chairman: Lord President of the Council
Members: Secretary of State for Social Services
Chief Secretary, Treasury
Secretary of State for Employment
Chancellor of the Duchy of Lancaster

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The Lord Privy Seal and the Chief Whip would receive the Group's papers and would be invited to attend any meeting at which specific Parliamentary aspects were to be discussed.

4. It now seems unlikely however that such a Group would have much to do in the next two or three months. The Chancellor of the Exchequer will probably want to consider the main decisions of substance in the context of the next Budget, and it would be unusual to discuss decisions of that kind in a Ministerial Group. You may therefore prefer not to set up the Group at present but to keep it in mind as a piece of machinery which may have to be activated around the time of the Budget when the main decisions have been taken and further work is needed on the presentational and legislative implications.

Public service pensions issues

5. The same considerations do not apply to the specific issue of whether to break the existing statutory link between increases in the state retirement pension and index linked public service pensions. It would be desirable to set work in hand now both to consider the policy and the legislative implications in good time before next year's bill dealing with the over-provision. I therefore suggest that you might set up now a Ministerial Group on Pensions Legislation with the following composition:

Chairman: Chancellor of the Exchequer

Members: Home Secretary

Lord Chancellor

Secretary of State for Education and Science

Secretary of State for Defence

Secretary of State for the Environment

Lord President of the Council

Secretary of State for Social Services

Lord Privy Seal

Secretary of State for Employment

Minister of State, Treasury (Mr Hayhoe)



6. The Group is inevitably a large one because the issue affects not only civil service pensions but also those of the police, judiciary, teachers, armed services, local authority employees and National Health Service staff. As it is, the Group may need to bring in from time to time other Ministers such as the Foreign and Commonwealth Secretary, the Secretary of State for Scotland, the English and Scottish Law Officers and some of the nationalised industry sponsoring Ministers. Some Ministers, such as the Home Secretary, may well prefer to be represented by junior Ministers.

7. I also propose that there should be an Official Group with broadly similar membership.

8. If you agree with these proposals I will put the necessary arrangements in hand. I am also attaching a draft Private Secretary reply to the minute of 2nd November from the Secretary of State for Social Services.

RTA

ROBERT ARMSTRONG

15th November 1982

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DRAFT LETTER FOR PS/NO 10 TO SEND TO PS/SECRETARY OF STATE
FOR SOCIAL SERVICES

The Prime Minister was grateful for your Secretary of State's minute of 2nd November about the follow-up to the Cabinet's decisions earlier that day relating to social security and related matters.

As the immediate issues relating to presentation and legislation have now been resolved by the Ministers most closely concerned, the Prime Minister does not propose to set up a Ministerial Group for this purpose, although she will keep the possibility in mind when further steps have to be taken next year. A Ministerial Group will however be set up to consider the specific issue of the existing statutory link between increases in the state retirement pension and index linked public service pensions.

The Secretary of the Cabinet will be in touch further with your Secretary of State about the arrangements.

I am sending a copy of this letter to Richard Hatfield (Cabinet Office).

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