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10 DOWNING STREET



From the Principal Private Secretary

26 July 1983

CC NATIONAL HEALTH: Seminar on
Health and Social Security
expenditure; 16 July 83: August 83

Your Secretary of State came to see the Prime Minister yesterday evening about the Government's approach to the public expenditure programme of the DHSS.

Your Secretary of State suggested, and the Prime Minister welcomed the suggestion, that the Government should devise its approach to the short-term public expenditure problems on the basis of a carefully-considered medium term strategy. Through the firmness of its approach in the last Parliament, the Government had achieved valuable long-term reforms which, despite initial opposition, were now generally accepted as important improvements, for example on earnings-related unemployment benefit, sickness benefit and the historic method of uprating. The Government needed to identify the further reforms it intended to undertake during this Parliament, recognising that legislation would be required for some of them, and decide its short-term strategy in the light of its medium-term objectives.

The Prime Minister and the Secretary of State agreed on the importance of supporting further reforms by informed public discussion, which should not be dominated by the lobbyists in the social security field who simply argued for ever-expanding benefits. There was a need to identify, either through the Social Science Research Council or directly, policy study groups or individual academics who could contribute to such public discussion of specific parts of the field. The Prime Minister suggested that your Secretary of State should ask Sir Keith Joseph and Lord Harris of High Cross if they could suggest some names: she would also make enquiries.

A similar approach was needed in the National Health Service. The major thrust here was likely to come through cutting down the waste and inefficiency which resulted from excessive administration or restrictive practices, and thus using the extra resources, which the Government were already planning to allocate to the NHS, more effectively for patient care. In this respect, it would be helpful if Mr. Roy Griffiths were to write the report of his management inquiry in a form in which it could be published: your Secretary of State agreed to put this point to Mr. Griffiths.

Summing up the discussion, the Prime Minister suggested the following next steps. It would be helpful to her thinking about the social security system if she could be given an oral briefing,

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before she goes away on her holiday, on how the current structure of contributory and non-contributory benefits fits together. I am in touch with Sir Kenneth Stowe about the arrangements for this. Then the Prime Minister suggested that she should hold a small meeting in September, involving Ministers from your Department and from the Treasury, at which a strategy for social security benefits and expenditure on the health service could be discussed: some outside experts might be invited to some part of that meeting, both in order to contribute their ideas and to identify areas to which they should be encouraged to direct further studies.

If your Secretary of State agrees, perhaps Sir Kenneth Stowe would consult the Treasury about a possible format for the September meeting and about the papers which might be prepared. I hope that we could make suggestions to the Prime Minister in a week's time about how we might set up the September meeting.

I am copying this letter to John Kerr (Chancellor of the Exchequer's Office) and John Gieve (Chief Secretary's Office). I should be grateful if no copies could be made of this letter and if knowledge of the arrangements proposed in it could be confined to the minimum number of senior officials who need to be involved.

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Department of Health and Social Security.