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DEPARTMENT OF HEALTH & SOCIAL SECURITY

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

Telephone 01-407 5522 ext 6981

From the Permanent Secretary

Sir Kenneth Stowe KCB CVO

Alan Bailey, Esq.,
HM Treasury,
London SW1

2 August, 1983

Dear Alan.

PRIME MINISTER'S SEMINAR ON DHSS PROGRAMMES

I have given some further thought, following conversations with you and Robin Butler, about how best to serve the Prime Minister's purposes for the proposed seminar in September. I have now had the opportunity of discussing this again with my Secretary of State and what follows takes account of his views.

Our assumption is that the seminar would be for a small group of Ministers - the Chancellor of the Exchequer, the Chief Secretary, Secretary of State for Social Services - and senior officials. My Secretary of State would like to leave open for consideration whether he should be accompanied by either or both of his Ministers of State. As to officials he would want no more than two; I assume two from the Treasury; and Sir Robert Armstrong.

We had envisaged a seminar in which a few academics might be present. Further reflection suggests that it would be difficult to generate the purposeful and informed discussion that is desired without going into issues and aspects that might be better not deployed before academics at this stage. The idea of having the selected academics present for part of the meeting is clumsy. I suspect that it is all or nothing and the choice will turn on selection of one or two thoroughly well informed and very reliable academics.

The purpose of the seminar might be:

a) to identify a framework of policy objectives for DHSS programmes for achievement in this Parliament which takes account of the Government's objectives for/economy, public expenditure and taxation;

b) to establish thereby terms of reference for the public

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expenditure bilateral between the Chief Secretary and the Secretary of State for Social Services and for Cabinet's resumed discussion in October; and

c) to establish a framework and guidelines for an academic/political debate on the issues and choices for the longer term which will illuminate and support Government policies in this Parliament.

It is implicit and I ought to make it explicit that the seminar conceived on these lines would be about major policy issues and not about the formulation of the PES itself; it should certainly not be a collective substitute for the bilateral about PES provision and adjustments to programmes for 1984/5 although - as stated above - it should plainly point up the policy objectives which should govern the PES outcome.

We envisaged that the seminar might best be served if there were to be a single paper prepared by officials (I think this means the bulk of the work would fall to DHSS but in collaboration with the Treasury to produce an agreed paper). The paper would identify the main areas of DHSS expenditure (with supporting factual detail in appended summaries) so as to bring out for discussion;

- i) the aims and objectives of existing policy, the extent to which they are being achieved and their implications for future costs.
- ii) possible modifications of policies and their implications for costs etc.;
- iii) the existing and potential sources of finance including charges, and also potential and private voluntary sources.

An important element in each area would be the cost of administration and the effectiveness of management.

It would, of course, be possible, given the size of the DHSS programmes, to lose everybody in detailed consideration of a host of benefits and/or client groups. I suggest that the Prime Minister and her colleagues would be best served if we concentrated on perhaps four broad categories:

- i) the unemployed - given the prospective levels of unemployment, what should social security be trying to do, at what cost, with what effect on incentives, poverty and bureaucracy;
- ii) the elderly - the demographic prospect, the present and

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future costs of pensions and of health and community care;

iii) the sick, disabled and physically/mentally handicapped - current trends and costs covering both cash and health and community care;

iv) the working population and their families - their contributions to benefits and services through national insurance and taxation and their cash benefits and services.

It will be a tall order to construct a digestable paper. My own view is that given as background the three papers already to hand (Health Care and Its Costs, the handbook of Key Facts on Social Security which we have prepared for the Prime Minister's use tomorrow and the DHSS Organisation Staffing brief for Incoming Ministers), we might do well to aim at not much more than an annotated agenda. The alternative could be very boring.

I am copying this letter to Robin Butler and Robert Armstrong.

*Yours
Ken.*

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H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01-233 3000

Direct Dialling 01-233

A M Bailey CB
Second Permanent Secretary
Public Services

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3rd August, 1983.

Sir Kenneth Stowe, KCB, CVO,
Department of Health & Social Security,
Alexander Fleming House,
Elephant & Castle,
London, SE1 6BY

Dear Ken,

PRIME MINISTER'S SEMINAR ON DHSS PROGRAMME

Many thanks for your letter of 2nd August.

2. In general I agree very much with your approach, and the following points are really only matters of emphasis:

- (i) Clearly the discussion, and the paper for it, must range over some fairly radical options. I would have thought Ministers (and officials) would find it less easy to discuss these if academics are present, however well-informed and reliable. This is not to play down the importance of stimulating public debate (your objective (c)) - but the time-scales are rather different, and Ministers should be in a better position to decide how to go about it when they have had this first "framework" discussion.
- (ii) I agree with the distinction you draw between major policy issues (for the seminar) and formulation of PES (for the subsequent bilateral). Because PES will look forward at least three years (to 1986/87), the bilateral will obviously be guided by the conclusions of the seminar (what you call "terms of reference"). But there is as you know a pressing problem for 1984/85, and we have to ensure that the shorter-term options are not thought to be ruled out by what is said in the seminar, before our Ministers have gone over the figures and options in detail in the bilateral.

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- (iii) I agree that the paper must aim at an overview, and the structure you suggest seems fine. But I suspect it will have to be a bit more than an "annotated agenda" if it is to sharpen up the options for decisions on the "framework of policy objectives" and "terms of reference" as you suggest. Indeed you imply this in your list of "expenditure" items to be covered (middle of p.2)
- (iv) Finally, we shall have to look for some way of quantifying the constraints imposed by "the Government's objectives for public expenditure and taxation". This will be for the Treasury, but may not be easy before our Ministers have a better feel for the likely outcome of the bilaterals. In any case, for a strategic discussion covering at least the lifetime of this Parliament, it is more a question of objectives and trade-offs than of specific targets.

3. We will be ready to co-operate in producing a paper on the lines you suggest over the next few weeks.

4. I am sending copies of this to Robin Butler and Robert Armstrong.

*Yours,
Alan*

(A. M. BAILEY)



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