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cc MASTER

bcc: Mr. Redwood



10 DOWNING STREET

From the Private Secretary

7 February 1984

Dear Steve

Your Secretary of State came to see the Prime Minister today to discuss developments and problems in the field of social security. He referred to his announcement in the House the previous day, amending some features of the housing benefit proposals. The Orders implementing these changes were to be laid next week and he was hopeful that a major revolt by Government backbenchers had been averted. He warned the Prime Minister about the selective hard cases produced by SHAC. Frequently these cases incorporated the loss of the non-dependant deduction. Almost invariably the income of the non-dependant was ignored. If this were included it would take the total family income well up the earnings scale. What was at stake was not so much a cut in housing benefit but a requirement that non-dependants should contribute more to family housing costs. He also pointed out that he would be consulting local authorities on the feasibility of putting a limit on the individual losses.

Your Secretary of State warned that it was unavoidable that the process of cutting back the growth of social security expenditure would involve a series of rows in Parliament and outside. The next such case was probably the withdrawal of the addition for central heating. This was no longer justified as it had been introduced on the premise that central heating was more expensive to run. There was some £54 million at stake. The Prime Minister expressed concern that this should be properly handled. Your Secretary of State said that the change was not due to be announced until June or July. Meanwhile Mr. Newton would be looking into it further as part of his review of supplementary benefit.

It was agreed that it was better to make public the existence of this review as it was quite likely to leak and announcement would avoid all the overtones of a secret report. Your Secretary of State agreed to clear the terms of reference of this review with the Prime Minister.

The discussion then turned to the problem of the 53 week uprating. This was a problem which had to be faced sometime if the date of upratings was not to creep forward but whenever it was introduced it was bound to be controversial and the Government would be accused of meanness. It was agreed that the Government's position was defensible though the Prime Minister

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thought that this might need to be looked at again if it appeared that the 12 month rate of inflation in November would be significantly higher than the 12 month rate in May used to determine the size of the uprating.

Your Secretary of State said he would be discussing with the Chancellor the announcement of the rise in child benefit. It was thought unlikely that this would be done in the Budget. The Prime Minister reiterated her view that child benefit should be made contributory.

Your Secretary of State raised two further changes; stopping the payment of child benefit after 8 weeks absence abroad rather than 26 weeks; payment of unemployment benefit a fortnight in arrears rather than one week in advance and one week in arrears. The Prime Minister was content with both proposals.

The discussion then turned to the need to improve efficiency in the health service in order to provide resources to bring down waiting lists. Your Secretary of State reported that there were four Rayner scrutinies about which he would be informing colleagues in a week's time. The Prime Minister asked about progress on recruitment of the NHS Chief Executive. Your Secretary of State replied that the process of selection would be starting soon.

*Yours sincerely
Andrew Turnbull*

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