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Prime Minister (4)

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DEPARTMENT OF HEALTH & SOCIAL SECURITY
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From the Secretary of State for Social Services

The Rt Hon Leon Brittan QC MP
Chief Secretary
Treasury Chambers
Great George Street
London SW1

Dear Leon.

April 25 1982

REDUCTION IN NI SURCHARGE : LOCAL GOVERNMENT IMPLICATIONS

Thank you for copying to me your letter of 15 April to Tom King. I have also seen the letters to you from Keith Joseph and George Younger. I should have liked to discuss this with colleagues as George Younger suggests, but I believe the Finance Bill timetable is now very tight.

The overriding concern, I entirely accept, is to ensure that the reduction in the NIS does not put extra money at the disposal of local authorities. If there is no other way of achieving this equitably then I must acquiesce in the solution proposed through the NI system. The practical difficulties, as I conceded in my letter of 13 April, are not insurmountable. This course is, none the less, a thoroughly unwelcome and retrograde complication of a contributory system which we had committed ourselves to simplifying. In agreeing to settle for it, I must register two points firmly.

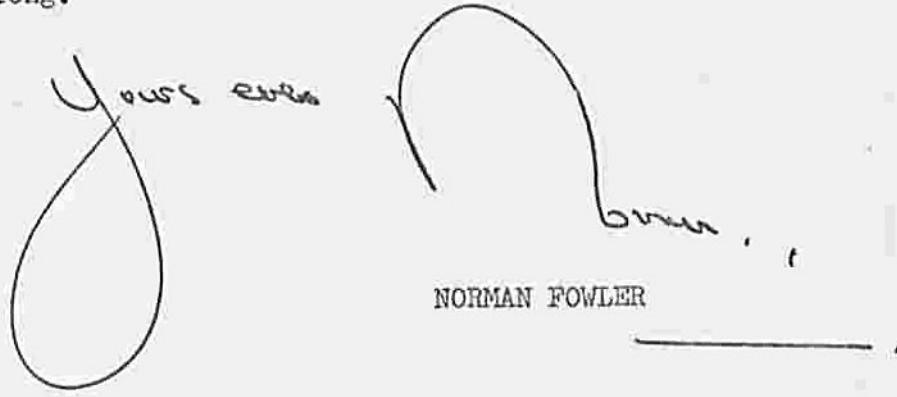
First, we can cope with the practical difficulties on this occasion only because local authorities are a limited category which both we and Inland Revenue can identify without too much difficulty. As I made clear in my earlier letter, I am particularly concerned with the problems that would arise if this was taken as a precedent for wider concessions to other employers. We should be in difficulties of a quite different order if we had to operate similar dispensations for other special categories - for example to give special reliefs to particular industries or regions. That would involve us in quite unacceptable additional complexity, and problems of staffing, policing and adjudication. I must insist, therefore, that no extension of this concession should be conceded, if there is pressure in Parliament; and it must not be taken as a precedent for introducing this complication into the system for other categories.

Second, because of the problems created, it is most desirable that this should be a one-off exercise, to sort out the problem that has arisen this year. If there is any possibility of the same issue arising in a future year, we should

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plan in advance to withhold the benefit from local authorities by other means, rather than try to retrieve the situation after the event by this kind of unwelcome device.

I am copying this letter to the other members of MISC21, to Tom King and to Sir Robert Armstrong.

Yours ever

NORMAN FOWLER