

SECRET

Prime Minister ✓

1 B

Agree circulation of Home Sec's paper?

Plus 20/11

Ref. A06051

PRIME MINISTER

Public Expenditure

If the Cabinet is to discuss public expenditure on 26th November, a paper should be circulated, preferably not later than Monday evening, setting out the figures for the agreed programmes and isolating the remaining issues for decision. This might take the form of an updated version of the draft report by the Home Secretary, which he sent to you on 11th November; it would cover not only the agreements reached in his MISC 62 Group and the bilaterals which preceded, or were associated with, those discussions, but also (without identifying this specifically) the progress made in your informal meetings over the past week.

2. A revised version of the report is attached, which takes account of the agreements now reached on the agriculture, health and FCO/ODA programmes and reflects the current, but not yet finally agreed, position on the social security programme. In the case of social security, the assumption for the purposes of this paper is that there will be no change in the pensioners' Christmas Bonus, but the Secretary of State for Social Services is still examining whether it would be worth while and defensible to exclude from eligibility all those under the age of 70. Defence and other environmental services are treated as programmes not yet agreed in the form in which they emerged from MISC 62. A new annex has been added on housing, so as to provide a basis on which the Cabinet can take decisions on that programme. The Secretary of State for the Environment now wishes to circulate on Monday a paper on housing and the construction industry; this would not be a separate item on the agenda but would be discussed with the section of the report dealing with other environmental services and with housing.

3. I should be grateful to know, as soon as possible, whether you, the Home Secretary, the Chancellor of the Exchequer and the Chief Secretary agree that the Home Secretary should circulate a paper on these lines in time for discussion

If he does
every other
Thursday will
circulate
paper on
his own
expenditure
we must
rely on
the Home Sec's
MISC
paper.
Mr Powell can be
personally.
MS

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by the Cabinet on 26th November. It would of course be open to the Chancellor, if he wished, to circulate a short paper on the overall public expenditure position.

4. You will wish to consider whether, either before or after the paper is circulated, there should be any further efforts to resolve the outstanding issues. I understand that the Chancellor and the Chief Secretary are still considering whether to accept the Secretary of State for Social Services' package offer on social security. You will in particular wish to consider whether anything further should be done to try and reach an accommodation on defence, a programme not well suited to discussion in full Cabinet, and I have minuted you separately about this. In any event however it would be undesirable to delay circulation of the paper to the Cabinet later than Monday evening, since some Ministers might then claim that they had inadequate time to consider proposals of major importance and the risk that no final decision would be reached on 26th November would be increased.

5. I am sending copies of this minute to the Home Secretary, the Chancellor of the Exchequer and the Chief Secretary, Treasury.

RCA

ROBERT ARMSTRONG

20th November, 1981

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