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Ref. A0494

PRIME MINISTER

Public Expenditure to 1983-84

(C(79) 42, 44 and 49)

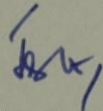
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I submitted a full brief on this for last week's Cabinet. But it may help simply to recapitulate the position reached on the various items. You have asked for some additional background information to be circulated (C(79) 48).

- (a) Defence. As you agreed over the weekend, discussion on this item will not be resumed this week. You will probably not want to say anything to Cabinet about events since the previous discussion.
- (b) Agriculture. Sir Kenneth Berrill and his group of officials will produce an interim report for discussion on 1st November. However, the Treasury have now suggested that it would be premature to try to reach decisions then on the outstanding agriculture points. They now say, contrary to their earlier advice, that it is not absolutely crucial to get final decisions on 1st November, but that if decisions are not taken then the White Paper will probably slip until after Christmas. The Treasury would not regard such an outcome as disastrous though the longer the delay before publication the greater the risk of existing agreements coming unstuck. Given that we hope to get everything else buttoned up on 1st November it would be a pity to have to leave over such a major item as agricultural support unless this is absolutely unavoidable. If the point is raised you will want to do no more than say that the plan is to reach final agreement on the whole package on 1st November.
- (c) DOE/Housing. The Secretary of State for the Environment and the Chief Secretary met on Monday but failed to reach agreement on the rent increase which would meet the Cabinet instructions ('somewhere between Option C and Option D' but with a ceiling of £2 per week increase

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every year'.). I think, unless there are further developments, that you will have to leave this over till next week. But you might ask the Chief Secretary for a progress report.

- (d) Education.
- (e) Social Security. On these two items, there is nothing to add to my earlier brief.



(John Hunt)

24th October, 1979

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