

PUBLIC EXPENDITURE

Following the meeting last week with the Chancellor and Chief Secretary, I have put in hand the following arrangements. The Chief Secretary will minute you, with copies to colleagues, setting out the state of play after his bilaterals. This minute will have two aims:-

- (i) where agreement has been reached it will seek to frank it and so prevent it becoming unpicked.
- (ii) where agreement has not been reached it will propose reference to a MISC Group.

The aim will be to avoid a substantive discussion at Cabinet on Thursday, 20 October.

I have agreed that a draft of this minute will come to you on Monday evening for approval so that it can be issued on Tuesday. The programmes which are likely to need reference to the MISC Group are defence, agriculture, and energy nationalised industries.

You are still thinking about the composition of the MISC Group. You might want to discuss this with the Lord President when you see him at 1215 hrs on Monday.

It was also agreed that as many programmes as possible should be settled before Cabinet and that if necessary you would be prepared to see Ministers this week. Two such meetings have been arranged.

- (i) as you are aware Sir Keith Joseph has terminated his negotiations with the Chief Secretary and has circulated correspondence to colleagues. A meeting has been arranged for Monday, at 1730 hrs with the Chief Secretary present, if you agree, to see if a settlement can be reached. The meeting folder contains the briefing for this.

/(ii)

- (ii) you are seeing Sir Geoffrey Howe on Wednesday in his regular bilateral. I have told the Foreign Office that you will want to devote part of the meeting to settling his programme. A brief from the Treasury is attached. The Chief Secretary would not be present for this meeting.

BT

14 October, 1983



ms

10 DOWNING STREET

Prime Minister

MISC 99: Education.

The Group is likely to offer KJ

- (i) nothing on Universities current in the first two years and - £50m in year 3
- (ii) nothing on Universities capital
- (iii) a token £5 million on Local Authorities capital
- (iv) the extra money needed on student grants to cover higher numbers. Net of the savings on grant rates this produces
+ £21 , +£11 - £8

He has been asked to detail the student grant measures to ensure that he is not offering the undeliverable.

The betting is that he

P.T.W.

will not accept the Group's offer
and will go to Cabinet, not
expecting to win but to
salvage some pride. So
far not bad for the Treasury

AT

26/10