

PART B

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PART B

9600/19 /GH/0096

PO -CH

PART B

Begin: 8/1/83

DD: 25 Years

Ends: 22/7/83 (CONTINUED)

[Signature] 1/9/95

COORDINATION OF TREASURY
POLICY: FORWARD LOOK,
STOCKTAKING AND KEY
AREAS BRIEFING

CONFIDENTIAL

bff 2/1 p.
11/1 p.
PMP

FROM: N G FRAY
DATE: 5 JANUARY 1983

UNDER SECRETARIES
MR TRAYNOR
PS/CUSTOMS & EXCISE
PS/INLAND REVENUE
PS/DNS

cc Miss O'Mara —
Mr Springthorpe
Mr Salvesson
Mr Norgrove
Mr Corcoran

CABINET OFFICE "FORWARD LOOK"

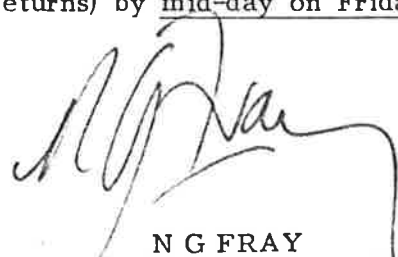
I am afraid that we have rather belatedly^{2.} received a copy of the Cabinet Office minute^{6.12} dated 3 December commissioning the routine "Forward Look" exercise to determine what issues we foresee going to Cabinet, Cabinet Committees, E, EX, MISC 14, MISC 79, and H, and Sub-Committees E(EA), E(DL), E(NI), E(PSP), E(PU), E(TP) and H(HL), between now and the end of March. This exercise covers only Economic and Home and Social Affairs business. Mr Springthorpe is conducting a parallel exercise for Overseas and Defence Matters.

2. Would all Divisions please supply the following information in their returns:

- (i) Brief title and description in a few words of the main issues;
- (ii) Relevant Committee (or Cabinet).
- (iii) When it will come forward.
- (iv) Other Departments having a major interest, especially for joint papers.
- (v) Reference to previous Committee or Cabinet discussion, if appropriate.
- (vi) Any special considerations affecting timing or other relevant information.

3. Would Divisions please ensure that only business which is likely to require collective discussion during the period specified is included. All matters which are expected to be cleared up by correspondence or which only have a slight chance of being brought forward during this period, need not be mentioned. Divisions should endeavour to be as realistic as possible in forecasting the timing of items.

4. As we are already well overdue with our return to the Cabinet Office, I should be grateful for contributions (including nil returns) by mid-day on Friday 7 January at the latest.



N G FRAY

EXCHEQUER
 PKC | -6 JAN 1983
 ACTION
 Mr Kemp 7.1
 EST, EST, EST
 MTR, MSTR

ALREADY
 CIRCULATED



Sir J Watt, DEPARTMENT OF INDUSTRY
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 Mr Lovell
 Mr Swager
 Miss Kelly
 Mr Mawtheray, Mr Kelly

JU662
 Secretary of State for Industry

5 January 1983

John Halliday Esq
 Private Secretary to the
 Home Secretary
 50 Queen Anne's Gate
 London SW1

Dear John

...I attach a copy of this Department's Five Year Forward Look which my Secretary of State sent to the Prime Minister on 22 December.

2 I am copying this letter to the private secretaries to other members of the Cabinet.

Yours sincerely
 David Saunders

DAVID SAUNDERS
 Private Secretary



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PRIME MINISTER

FIVE YEAR FORWARD LOOK FOR DEPARTMENT OF INDUSTRY

At Cabinet on 29 July each Minister was asked to prepare a report on a 'Forward Look' at his Department's programmes for the next five years. Your letter of 16 September elaborated the request, asking for an input to collective thinking for a positive and coherent strategy for the next Parliament. You indicated that the reports should include outstanding commitments and major initiatives anticipated over the five year period, showing resource implications as far as possible.

2 The central aim of our industrial strategy is to help the UK productive sector to become more competitive, profitable and adaptable. Unless we are successful in this, many of our other policies will be frustrated. I see the next five years in terms of continuing to develop and apply a range of policies designed to help achieve this. There will be several 'major initiatives' and many smaller ones, but much of our work will be a steady evolution of the policies that I believe can make the biggest contribution to our central aim. Alongside this there will be a reduction in spending on policies whose contribution is smaller or uncertain, together with a drive to complete the task of returning the state-owned enterprises to the private sector. Our future claims on resources, which I am determined to keep to a minimum, arise from the totality of these changes. I have therefore thought it right to provide a fairly full account of the Department's work - insofar as it can be foreseen - over the five year period.



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3 As part of our general approach to policy-making in this Department we are trying to be as clear as possible about our objectives. You will see our broadly expressed aims annexed to the report. In the report itself I have expressed our intentions in terms of specific targets wherever possible. I should stress that most of these targets depend heavily on others: on industry itself, on the education and training system, and on the policies of other Departments.

4 Basic to all our policies is a belief that the market knows best. Our most important task therefore is to create a climate in which market forces can work. This is a priority for the Government as a whole. The Department's distinctive role is to understand the needs of industry and to help ensure that wealth creation is accorded high priority by other Departments. To establish the right climate we must work to overcome obstacles of all kinds: inertia; lack of awareness; timidity; inherited attitudes and old habits. Despite the progress of the last three years, there are still far too many rigidities throughout the economy - including those imposed by Government itself. We must play our part in helping to improve industry's competitiveness by reducing its costs wherever possible. All these burdens are often disproportionately heavy on new and small firms; special efforts are required to improve the climate for them.



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5 There is also a need for more direct action by Government. It is very important that UK companies quickly grasp the opportunities presented by changing technology. We have been very active this last year in raising the level of awareness of information technology. Industry has recently identified the need for large scale research ('Alvey') to lay the foundation for the electronics and computer industries' competitiveness in the 1990s. Industry wants the DOI to take a leading role in this process. More generally, many studies suggest that although we in Britain are excellent at research itself, there are still far too many obstacles to the effective application of research knowledge to commercial purposes. Tackling this subject will be one of our major priorities.

6 Industrial performance in advanced countries depends on the development of 'human capital' just as much as on our investment in modern equipment. Apart from working to improve the performance of the education system, we are devoting an increasing proportion of our resources to supporting private sector management - through providing information and training about new technologies, and ensuring that consultancy services are available. Increasingly we see UK management as our scarcest resource, on whom our future depends. We must ensure that they have the right incentives and every opportunity to learn. This does not mean Ministers or Civil Servants telling



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managers how to do their job. It means action to ensure that the right kinds of services are available and are used, especially by smaller and medium sized companies.

7 I have included sections on the changes planned in the management of this Department and of the implications for resources of manpower and money. We shall be doing our utmost to switch resources from one activity to another, and to find new opportunities for contracting out wherever this can be done without loss of efficiency. I am in no doubt that understanding and support of the productive sector should be one of the Government's highest priorities. It is therefore essential that we should have enough people to do this properly, and I cannot at present see much scope for reducing total manpower in this Department during the period. As the report explains, much depends upon the outcome of the current regional policy review. If the outcome places increased burdens upon us, then it may be necessary to make a small increase in this Department's provision in order to achieve the targets set out in this report. I believe this would be a price worth paying. (We will have cut by some 23% between 1979 and 1984).

8 Your letter asked for outstanding commitments and major forthcoming initiatives to be identified. We have discharged all the specific commitments in my area of responsibility with which we entered office. The foreseeable major initiatives over



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the next five years include:

- (1) privatisation of BT and Rolls Royce
- (2) progressive sale of BSC, BS and BL
- (3) creation of a liberal regime for telecommunications and interactive cable services
- (4) mounting a major programme of collaborative research in Advanced Information Technology
- (5) major revision of regional policy
- (6) drive to develop and support more professional management, especially in small and medium sized companies.

PT

P J

22 December 1982

Department of Industry
Ashdown House
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FIVE YEAR FORWARD LOOK FOR THE DEPARTMENT OF INDUSTRY

1 INTRODUCTION

2 CLIMATE FOR ENTERPRISE

3 INNOVATION

3.2 Key Technologies

3.3 Transfer of Technology

3.4 Research for Industry

3.5 Standards

3.6 Public Purchasing

4 EFFICIENCY

4.2 Human Resources

4.3 Management

4.4 Nationalised Industries

4.5 Regional Policy

4.6 Inward Investment and Collaboration

4.7 Tactical Support in World Markets

5 DEPARTMENTAL MANAGEMENT

6 IMPLICATIONS FOR RESOURCES

6.2 Expenditure

6.3 Manpower

FIVE YEAR FORWARD LOOK FOR THE DEPARTMENT OF INDUSTRY

1 INTRODUCTION

1.1 The central aim of the Department of Industry is to help the UK productive sector to be competitive, profitable and adaptable. This is primarily the task of UK management, working within a framework of market disciplines. All the policies of the Department are designed to enable these mechanisms to work efficiently, not to usurp the function of the market place. It follows that our first task is to maintain a thorough knowledge of industry itself and its needs. As its needs change, so must we. To pursue this the Department has a range of more specific aims which are grouped under three headings: climate, innovation and efficiency (Annex 1). We see the five year period in terms of making very substantial progress towards achieving these aims.

2 CLIMATE FOR ENTERPRISE

2.1 Our aim here is to create a climate for enterprise in the UK that is at least as favourable as any among OECD countries. Of course this Department has very little direct influence on the climate. Our work in this field is chiefly through our influence on other Departments. There is a great deal still to be done in removing obstacles - some of them Government-imposed - to enterprise at all levels from self-employment through to larger companies.

2.2 It is now recognised that new and small businesses have a very important part to play in providing the dynamic and most adaptable element in the economy. The comparatively small share of UK economic activity in the hands of small and medium-sized enterprises is seen as one source of our poor industrial adaptability. We aim to increase this share. We see improved incentives as the most important single route to encouraging self employment and the creation of new businesses. Measures to improve the provision of risk finance, 'patient money' and suitable premises are also important. Efforts must continue to lighten the legislative burdens that are disproportionately onerous to small companies.

2.3 Entrepreneurship is becoming more widely valued. However it is still far too common for our best brains to shy away from wealth creating activity, especially manufacturing. We are working to help change the perception of wealth creation by everyone in the education process from schoolchildren to university teaching. The newly established Engineering Council has an important role to play here. Over the next five years, the Department will support it in every way. (DoI interest in education and training is discussed further at section 4.2.)

2.4 In the short to medium term the business climate for large companies is still more important. Worldwide recession has made it very tough; the return on capital has fallen to historically low levels. In the past few years, fluctuations in interest rates and the exchange rate have played havoc with industry's ability to plan. In future, industry should benefit from a more stable macro-economic framework, with inflation and public spending under control.

2.5 Over the next five years the Department of Industry will continue to speak up for industry's needs in the fields of taxation and regulation. More action is needed to improve personal incentives and mobility; abolish the NIS; contain the rates burden; and to shift the balance of bargaining power further in favour of managers, weakening the power of trade unions to resist change and wage flexibility.

2.6 Together with the Department of Trade, we will work to eliminate barriers to our exports, especially within Europe.

2.7 All specific targets in this field depend on close co-operation with other Departments. They include:

Domestic Climate

- 1 Make the tax treatment of share options and incentive schemes as generous as in the USA
- 2 Eliminate the fiscal bias which favours investment in property and pensions over productive assets
- 3 Ensure the tax treatment of R & D is as favourable as in the USA

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- 4 Abolish NIS as soon as possible; consider reducing NIC
- 5 Reduce the burden of industrial and commercial rates
- 6 Reduce energy costs to industry through access to all fuels, including coal, at internationally competitive prices
- 7 Remove obstacles to self-employment and to the formation and growth of small firms, particularly by:
 - providing tax relief to investors in Small Firms Investment Companies
 - extending/improving the Business Start-Up Scheme; Loan Guarantee Scheme and Enterprise Allowance Scheme.
- 8 Remove obstacles to mobility, especially those imposed by non-transferability of pensions
- 9 Ensure adequate supply of premises for small companies
- 10 Investigate effects of Corporation Tax and possible fiscal bias against service industries

EC

- 11 Complete the Community's internal market by dismantling non-tariff barriers and opening up public purchasing policies in other member states
- 12 Ensure the Commission uses its powers to outlaw covert aids to industry in other member states
- 13 Reduce EC discrimination in favour of agriculture switching EC support towards innovation in industry

Worldwide

- 14 Resist pressures for protection.

3 INNOVATION

3.1 The climate for enterprise will not become so favourable during the next five years that there will be no need for Government to act in various ways to promote innovation and efficiency. But wherever we act, it must be to support judgement made in the market place.

3.2 Key Technologies

3.2.2 Spreading awareness and application of key technologies is a major task. The success of IT year shows that the Department can play a useful role in raising awareness. But

adoption is a much slower process. The MAP programme has helped over five years to raise use among companies of micro-electronics from 5% to 30%. This is still far too low. Project evaluation shows that MAP awareness, consultancy, and project support brings high returns. The Department can increase the rate of diffusion of IT by encouraging its application to areas outside commercial life, where the benefits can be directly apparent to the general public. We have made a start with this through assisting the introduction of micro-computers into general practice and demonstration projects and pre-production orders for systems which use IT to help the disabled.

3.2.3 The application of IT to cable technology represents a major opportunity for the UK and we aim to establish a framework which will enable private enterprise to develop the potential for new services rapidly. We aim to open up the telecommunication market by licensing interactive cable services during the next Parliament. This should lead to Britain being the first country to be served by a complete new 'electronic grid' of interactive services.

3.2.4 Over the next five years the importance of promoting new technologies will increase. Provided companies take the larger part of the risk, we will be ready to consider support for innovative products which covers market assessment; applied research; development; pre-production tooling and investment; prototype developments; and initial marketing. All major projects are subject to advice from outside industrialists through an Advisory Board. This helps to ensure that support follows market place judgements. Support will not be confined to particular sectors of industry. It is vital that we do not fall into the trap of thinking that the new technologies should be supported at the expense of the so-called 'mature' industries. There is abundant scope for applying new techniques to established industries to improve their competitiveness with very high returns. Robots in car assembly provide one example. 'Enabling' technologies with widespread applications will continue to arise in the next five years and we will continue to help the spread of new technology by a variety of methods, including demonstration proje

3.3 Transfer of Technology

3.3.1 Britain's future in a highly competitive world depends increasingly on our ability to generate and use knowledge. Efforts must be stepped up to ensure a sufficient flow of information from the researcher through to the companies that can apply the knowledge, and between companies and sectors.

3.3.2 One way of transferring technology is to increase contact between researchers and companies through seminars etc. Evidence suggests that mobility is the most effective method of all. The Department will be active in seeking out and removing the obstacles to movement of qualified personnel, particularly from public sector institutions, including universities, and Government laboratories to the private sector.

3.3.3 We intend to promote technology transfer through a variety of initiatives. We have put forward proposals for the British Technology Group (BTG) to enable it to play a more positive role in the transfer of technology to the private sector from the public sector and from abroad within the overall framework of the Department's policies for industrial innovation. The BTG will put greater emphasis on searching out new opportunities and making the most of its expertise in licensing and patenting.

3.3.4 In conjunction with SERC we intend to extend a very successful scheme for locating graduate students in companies (The Teaching Company Scheme). We will also help with the establishment of new ventures linked to existing research institutions to exploit in-house research, encourage work in potentially exploitable areas and provide consultancy services and other help to industry. These ventures may take a number of forms such as growth centres for research-based industries, Science Parks, innovation centres for local industry and incubation centres for fledgling high technology companies.

3.4 Research for Industry

3.4.1 In Britain there has been insufficient civil research effort in fields relevant to UK industry. We aim greatly to increase the industrial relevance of the £1.6 billion spent

annually by Government on civil research. There needs to be better industry representation on the bodies which control the distribution of research funds in the public sector such as the UGC and the ABRC.

3.4.2 UK industry's own expenditure on R & D remained static in real terms during the 70s. American experience suggests that the level of privately funded R & D can be increased by imaginative use of the tax system. We want to explore this with the Inland Revenue.

3.4.3 We intend to increase the amount of effort in the Department's Industrial Research Establishments devoted to projects designed to yield industrial benefits in the medium to long term, linking science research successes to engineering applications. All efforts to identify areas for longer term research are subjected to the scrutiny of the Department's Research Requirements Boards so that industrial representatives can ensure that the programmes complement the work industry is carrying out itself.

3.4.4 Industry has proposed a large scale collaborative research programme in advanced information technology (the Alvey programme). Industry will be fully involved, but at this 'pre-competitive' stage it will be necessary for Government to meet a large part of the cost. Because many competing companies need to be brought together, alongside universities and other institutions, Government will need to organise the programme. This will be one of the major tasks of the Department during the next five years. Collaborative research is planned on a smaller scale in several other areas.

3.5 Standards

3.5.1 The aims set out in the White Paper on 'Standards, Quality and International Competitiveness' will require a major contribution by the Department of Industry towards the development of a system of standards, certification and approval to improve the quality of British goods. Eventually our system of standards should confer advantages on our industry on the same scale as German companies have benefited from the DIN system.

3.6 Public Purchasing

3.6.1 We will seek out further opportunities for enlightened public purchasing to support new standards, innovation and high quality British products. In particular we aim to adopt methods used in the US to ensure that small businesses get their fair share of public contracts, notably through 'set-aside' programmes for all public contractors. We will also encourage large private sector companies to do the same. Government should use its power as purchaser to reinforce its policy objectives in other areas even though this may involve hard decisions to forego the cheapest price offered in favour of overall economic value. We must resist pressures to take refuge behind international commitments. We need to develop more coherent policies whereby the public sector identifies its need for new products, initiates the development work in the private sector, pulling through new technologies, and backs this up with volume orders. Office automation is one area where this approach needs to be applied vigorously.

3.6.2 The defence equipment and R & D budgets require special effort to make sure that this Government expenditure contributes to industrial and commercial objectives. 80% of the funds Government provides to industry for R & D is for defence purposes and the civil spin-off from this expenditure needs to be greatly increased.

3.7 Specific targets in support of innovation aims include:

Key technologies

- 1 Raise application of microelectronics from 30% to 60% of firms by 1987
- 2 Establish, with the Home Office, an interim strategy for a national cable network with a limited number of franchises offered in 1983

Technology transfer

- 3 Build up four major growth centres for research based industries

- 4 Build up a active local network of innovation centres so that by 1987 no firm in the UK is more than fifty miles from one
- 5 Encourage the development of Science Parks throughout the country
- 6 Treble the number of participants (currently 90) in the Teaching Company scheme
- 7 Remove obstacles of tenure and pensions which deter qualified personnel in public sector research (45,000) from moving into private industry

Research

- 8 Organise and support a major programme of collaborative research on Advanced Information Technology (the Alvey programme)
- 9 Use collaborative ventures and tax incentives at least equal to those in the USA to promote industrially relevant research

Standards

- 10 Treble DoI expenditure on specification standards in Government laboratories and industry
- 11 Use British Standards in legislation and public procurement
- 12 Gain international recognition for UK testing and product certification schemes

Public purchasing

- 13 Identify and remove obstacles to increased civil spin off from defence R & D spending
- 14 Help British firms to establish a major presence in new markets - such as healthcare and office automation - by pilot projects and enlightened public purchasing to achieve volume
- 15 Establish 'set-aside' programmes for small business suppliers by all public contractors

4 EFFICIENCY

4.1 Apart from its role in promoting the right climate for industry and encouraging innovation, the Department uses its influence to promote efficiency in a number of other ways.

4.2 Human resources

4.2.1 Industrial performance in advanced countries depends as much on the development of 'human capital' as on investment in modern equipment. The Department has an important role in helping to ensure that industry's manpower needs are understood and met by the educational and training systems at all levels.

4.2.2 The 1979 Manifesto committed the Government to review the relationship between school, further education and training to see how better use can be made of existing resources. Although this is primarily a matter for DEm and DES, this Department is uniquely concerned about the implications for industrial competitiveness. A low proportion of the working population is vocationally qualified in comparison with our industrial competitors.

4.2.3 The Department supports the objectives set as part of the New Training Initiative for developing and implementing by 1985 standards for training. We want to end unnecessary time-serving conditions and age barriers by that date. We support the MSC in its new initiative for vocational education for the 14-18 year old age group and the Engineering Council's efforts to give greater emphasis to technician education in engineering.

4.2.4 More action is needed to remedy the unbalanced attitude to industry and commerce which in many institutions ranges from indifference to contempt. This change should encourage young people to choose vocationally relevant courses throughout education. More and better industrial representation is required at all levels of education from the NAB and the UGC down to the governing boards of primary schools. Direct liaison between firms, schools and colleges is also vital. The Department's Industry/Education unit will continue to be very active in this area. Clear and authoritative information is required about industry's education needs.

4.2.5 Where a rapid response is required to a new training need over the next five years the Department may collaborate directly with the MSC. One example is the programme to establish at least 150 Information Technology Education Centres (ITECs) over the next year. The Department is reviewing the implications for training and qualifications of the increasingly close links between mechanical and electrical engineering which advanced manufacturing technology requires.

4.2.6 The Department will fund some projects directly to give a clear and early signal to the system of industrial needs. The successful micros in schools initiatives are examples of this kind of action. Further initiatives may include sponsoring lectureships, fellowships and studentships in key subject areas.

4.2.7 Just over 60% of students in higher education are estimated to be in science, technology and other vocationally orientated subjects. Since the early sixties the proportion of arts and social studies students in higher education increase markedly. The UGC has said that it intends that by 1983/84 the balance between arts and science and technology should shift in favour of the latter by 2% and that there should be an absolute increase of 2% in the number of engineering students over the levels in 1979/80. We believe that this degree of adjustment is not sufficient to meet the needs of ^{the} economy over the rest of the century or the likely demands of prospective students as the importance of the new technologies becomes more widely appreciated. Not only does the balance have to shift more dramatically but the relevance of science and technology courses to industrial and commercial needs must be improved, for example by the inclusion of modules on topics such as operational research, statistical quality control and management accounting. Given the long lead times needed to modify higher education provision, action needs to begin as soon as possible.

4.3 Management

4.3.1 Evidence has accumulated suggesting both that UK executives are less highly qualified than their continental, US and Japanese counterparts and that the education and training

UK managers receive is not sufficiently related to their future careers. The lower status of engineering and manufacturing in the UK are symptoms of the overall problem. General management in UK manufacturing has also been criticised for lack of market orientation and its neglect of medium and longer term considerations.

4.3.2 The Department has responded to this by developing a number of programmes designed to promote the awareness and adoption of advanced manufacturing techniques such as computer aided design, flexible manufacturing systems and robotics. More effort is required to support UK management - especially in small and medium-sized companies - to increase their capacity to take on their international competitors. Advisory services need to be developed not just in connection with the new technologies but also for those aspects of management which apply to almost all enterprises such as management accounting, stock control, buying, marketing and statistical quality control.

4.3.3. The Department itself has no special expertise to offer but it can bring about changes. Increased industrial relevance of education is part of the solution. The Engineering Council has an important role to play in this and other aspects of the problem. Increased mobility for executives, promoted by the removal of obstacles to mobility such as non-transferable pension rights needs to be encouraged. The spin-off effects of inward investment by foreign companies who introduce best management practices into the UK can be substantial. We shall also encourage the appointment of suitably qualified and experienced non-executive directors.

4.3.4 The Department can also help by meeting the costs of consultancy in specialised fields through services like the highly successful Manufacturing Advisory Service or Design Advisory Service. In general these schemes involve much less expenditure than the more traditional role of contributing directly to project costs. But they generate very high returns in terms of improved efficiency. There is scope for a much bigger role for DoI in making services available to management, who are in the front line in bringing about improvements in performance.

4.3.5 Our specific targets in these fields are:

Education and Training

- 1 Establish at least 150 ITECs by the end of 1983, in collaboration with the MSC. Aim at 400 by 1987
- 2 Improve the quality and availability of information about industry's requirements from education
- 3 Encourage more and better industrial representation at all levels of the education system and better liaison between firms and schools. Every teacher should be offered a short period (eg a fortnight) in an industrial or commercial company
- 4 Improve the vocational relevance of courses throughout higher education. Specifically:
 - accelerate the shift towards science and engineering so that by 1987 the proportion of students taking non-vocational arts degrees is reduced from its present level of 40% to 25%
 - all scientific and technical education should include modules on business subjects such as accountancy, design, marketing, statistical quality control
 - all arts courses should include some exposure to numerical, technical and commercial subjects
- 5 Ensure that all craft and technical level training includes material on basic business principles
- 6 Increase exposure by students at all levels to modern production techniques and equipment
- 7 Improve the industrial content of teacher training and re-training, if necessary with pump-priming finance
- 8 Support the New Training Initiative, including the Open Tech, and press the MSC to eliminate time-serving by 1985

Management

- 9 Increase provision in adult education for management education - if necessary, by direct Departmental financing of projects eg through the Open University
- 10 Extend the Department's funding of advisory services to management to cover all specialist fields with availability to all small and medium-sized companies
- 11 Establish local enterprise agencies involving the private sector to provide advice to small firms in every centre of population in the country, with back up support from the Small Firms Service
- 12 Provide a computer-based information service linking all enterprise agencies and other bodies providing advisory services for new and small firms throughout the country.

4.4 Nationalised Industries and State-owned Companies

4.4.1 Wherever feasible, the Department aims to return productive activity to the private sector. Legislation to turn BT into a Companies Act company and to sell shares is before the House. October 1983 is the target date for BT to lose its 'exclusive privileges' and obtain a licence to provide a telecommunications service in the UK. A competitor has already been licensed. The regulation of this growth industry will be an important task for the Department, through Oftel, in the years ahead.

4.4.2 Legislation to permit the introduction of private capital into the activities carried out by British Shipbuilders is before the House. The precise timing will depend on market conditions.

4.4.3 Over the next five years the following measures should have taken place:

British Telecom	sale of 51% of company to the private sector
British Steel Corporation	disposal of businesses peripheral to steel-making virtually complete by 1984; joint ventures with private sector (operating transparently) in areas of overlap eg cold narrow strip, springs and engineering <i>Steels</i> stocks by 1984; privatisation of major steel making businesses as they are returned to viability after 1984
British Shipbuilders	privatisation of shiprepair activities during 1983/4 and Vickers, Yarrow and Vosper warship builders after the election
National Enterprise Board (BTG) ..	disposals of all subsidiaries
British Leyland	introduction of private equity into Jaguar and possibly Unipart and Land Rover (with or without Leyland Group) by 1985
Rolls Royce	return to the private sector by 1988

4.4.4 For all NIs and state-owned companies the Department will continue to set challenging objectives, including financial and performance targets. Chairmen of the highest calibre will be appointed, linking their remuneration to performance in relation to agreed objectives.

4.5 Regional Policy

4.5.1 Regional policy is the subject of an interdepartmental review. The results will be for implementation in the next Parliament. Although we cannot anticipate the outcome, we hope to cut back on automatic capital aids and to make future policy more in tune with the Department's other aims: stimulating new enterprise, promoting innovation and developing human resources. There is also a strong case for integrating this Department's regional work more closely with that of DoE and DEm and for securing a fair balance between Scotland, Wales and the disadvantaged regions in England.

4.6 Inward Investment and Foreign Collaboration

4.6.1 Successive Governments have recognised the benefits to the UK from direct inward investment, especially when it is located in the assisted areas. We shall continue actively to encourage companies to locate here - especially those of American and Japanese origin who can substitute local production for imports and use the UK as a base from which to supply the rest of Europe. Joint ventures with foreign companies can be another means to gaining access to technology, expertise and world markets. We shall be actively encouraging them, especially with Japanese companies. Our specific target for inward investment is:

to maintain and if possible increase the UK's 1982 share of US and of Japanese direct investment in Western Europe by 1987

4.7 Tactical Support in World Markets

4.7.1 Because other Governments are active in the field of supporting major export contracts or in international agreements to reduce pressures from low cost producers, the Department

must be ready to take essentially tactical action in support of British industry. That does not mean we should always match subsidies or import restrictions. But the impact of our competitors' policies has to be considered when formulating our own. It will often be necessary for the Government to ensure that British industry is not placed in a disadvantageous position. No targets are expressed for this essentially tactical work, because it is much affected by developments elsewhere.

5 DEPARTMENTAL MANAGEMENT

5.1 Touche Ross recently examined the adequacy of the Department's financial and planning control systems. A number of their recommendations are being implemented:

- a A single Resource Management Group (RMG) chaired by the Permanent Secretary has been established to be responsible for the planning and allocation of the Department's resources
- b The RMG has proposed some priority areas for action for the Department in drawing up Divisional plans, including PES
- c The calibre of financial accounting and internal audit staff is being improved, as are audit procedures
- d Pilot studies of responsibility cost centres are under way at three locations within the Department
- e A strategy for improving management information systems is being prepared.

5.2 A thorough review of Departmental aims has taken place and a Policy Planning Unit has been set up to co-ordinate this work. The aims have recently been published. Within the Department the aims are being used as a framework for planning at the Divisional level through the formulation of policy objectives and operational targets. (This work represents part of the Department's programme to implement the Financial Management Initiative, on which a fuller report will be made shortly.)

5.3 The Department intends to increase its managerial competence over the next five years in a number of other ways. It is planned to:

- 1 Conduct annual reviews of performance against plans for every Division
- 2 Set clear objectives at the outset of all new schemes of assistance, with early evaluation of results
- 3 Make the marketing of the Department's awareness campaigns and schemes more professional and coherent
- 4 Increase the number of exchanges of Departmental staff with those in industry and commerce
- 5 Increase training effort in modern management techniques
- 6 Increase professionalism in monitoring nationalised and state-owned industries
- 7 Integrate more closely the work of administrators and specialists.

6 IMPLICATIONS FOR RESOURCES

6.1 The Department's spending, excluding the nationalised industries, is planned to be around £1 billion per year for the next two years. By 1 April 1984 it will employ 7,300, including Common Services shared with DoT - approximately 1% of the Civil Service. This follows a reduction of 23% since May 1979.

6.2 Expenditure

6.2.1 To increase the rate of innovation in industry, we intend to give very high priority to maintaining a steady expansion of our programmes for research (Alvey and others) and its application to new products. Since our spending is tied to spending by industry itself, there is a substantial gearing effect. Continued expansion of these programmes should pay big dividends in the competitiveness of UK companies in the 1990s. In the last four years, spending under the Science and Technology Act has increased from £106m in 1978/9 to an allocation of £249m in the present year.

6.2.2 Departmental spending on support for management has grown rapidly due to the expansion of advisory services to small firms, but is still quite modest at £40m per year. We intend that this should occupy a much larger share of our total expenditure within five years.

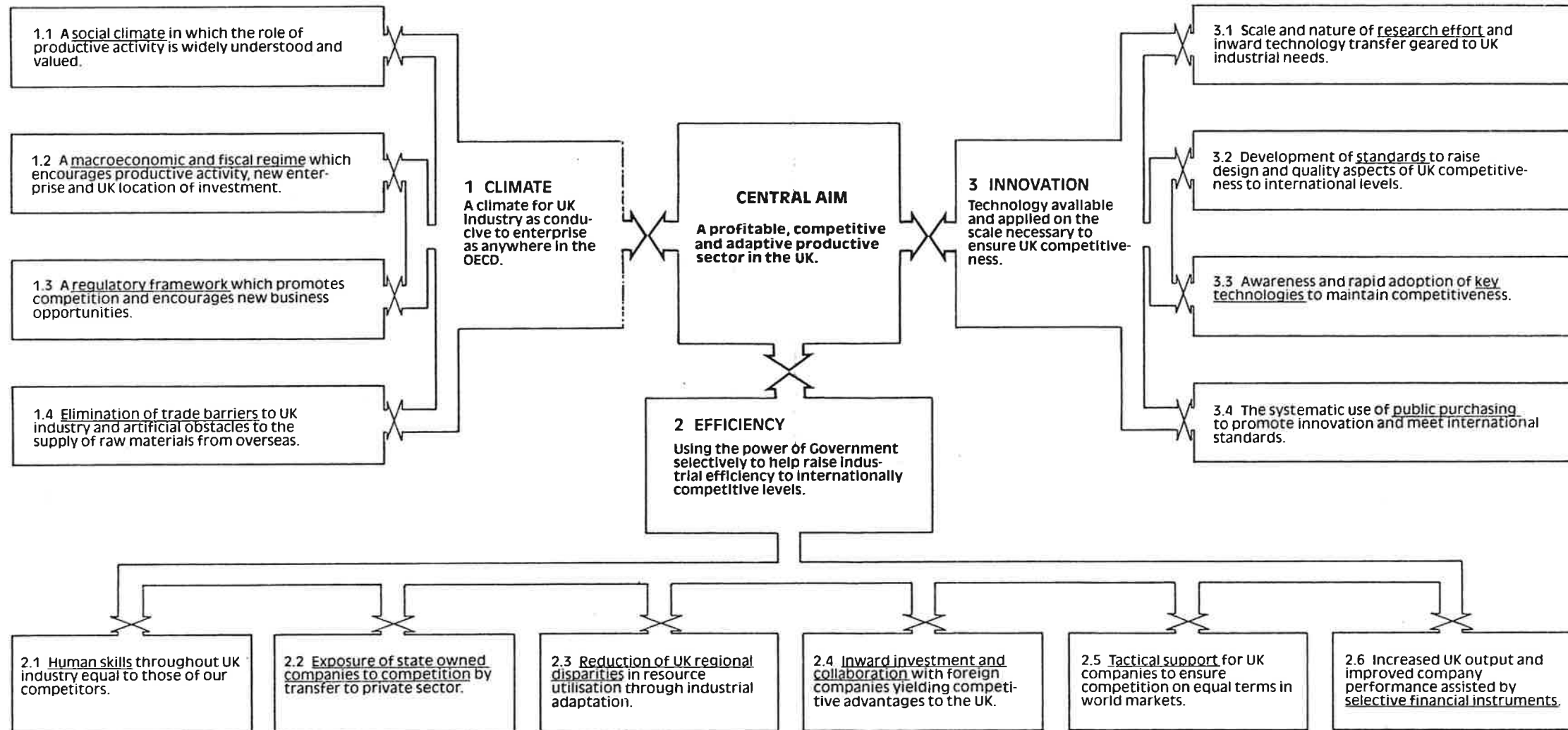
6.2.3 These increases can be accommodated within present levels of total Departmental spending provided that we continue to contain and reduce spending on the state-owned companies and industries and that there are some savings in regional policy as the result of the present review.

6.3 Manpower

6.3.1 It will be more difficult to meet the increased need for manpower in our high priority activities - R & D and management support - by reductions elsewhere. Reduced spending on the state-owned enterprises will not release many people. Liberalisation will make increased demands in some cases. (Approximately 50 extra staff will be needed for Oftel.) There is a risk that future forms of regional policy will be more sophisticated and therefore more labour-intensive to administer. We shall be pursuing every opportunity to contract out wherever this can be done without loss of efficiency. The picture should become clearer during the forthcoming exercise on manpower. However much will depend on the outcome of the regional review. If there are new tasks to perform, a small increase in the Department's provision may become necessary in order to carry out our high priority activities.

DOI STRATEGIC AIMS

ANNEX 2



6/1/83

MEMO

cc: Mr Bailey
Mr Carey
Mr Lovell
Mr Brazier
Mr Norgrove

FORWARD LOOK: DEPARTMENT OF TRADE

There is nothing very surprising on my side in Lord Cockfield's minute of 24 December. He sounds very keen on export promotion, which some of us feel ought to be demoted and ranked merely as one among others in the various aspects of assistance to industry. But so long as you have a distinct Department of Trade that is bound to be their position. There are no concrete proposals to which we need object.

2 Lord Cockfield complains about the discrimination against the service sector ("ending Government discrimination", page 3) with particular reference to regional assistance. We have looked at this in the Review of Regional Economic Policy, and the scheme which it is proposed should replace Regional Development Grants will go some way to assisting a limited number of service industries. The problems about going further are:-

- (i) the expense: as Lord Cockfield says the service sector is now very large;
- (ii) the deadweight: service industries seem to be expanding anyway, generally do not need assistance, and it is not clear what difference assistance would make;
- (iii) the displacement effect: most service industries are less generally tradable than manufactures, so if the demand for a service is already being met in a locality if you help to set up a new firm you put someone else out of business almost one for one.

3 Tourism assistance is also being considered separately, as Lord Cockfield says, in relation to the Budget.


KIT CHIVERS

6/1/83

12 (11)

MR. CHIFF

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Mr Carey
Mr Lovell
Mr Brazier
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KIT CHIVERS

FROM : J S BEASTALL
DATE : 6 JANUARY 1972

MR KEEP

cc Mr Carey c/r
Mr Lovell
Mr Hawtin (without attached)
Mr Traynor
Mr Chivers
Mr R Wilson
Mr Robson
Mr Norgrove (without attached)

FORWARD LOOK : DEPARTMENT OF TRADE

You asked for comments, by close of play tonight, in accordance with your general minute of 29 December, on the attached response from Lord Cockfield.

2. There is not much on the AEF side which requires comment. The references to overseas trade policy seem in line with the current stance agreed by Ministers collectively. We have just a couple of glosses.
3. On Lord Cockfield's reference to the possibility of some privatisation of ECGD to allow it greater scope to operate commercially in promoting exports, we shall need to see the outcome of the review of ECGD's future status proposed in his letter of 16 December (on which advice will be submitted shortly). But we suspect the scope for privatisation may in practice be pretty limited and that public corporation status for ECGD may prove to be a more realistic option if major changes are to be considered.
4. On his reference to the aid programme, we can accept that the aid programme as a whole should continue to reflect a greater commercial emphasis. This must not however be taken to imply any increase in expenditure on mixed credits through the Aid Trade provision.
5. However, a good proportion of the subject matter of Lord Cockfield's paper is not for AEF. Perhaps copy recipients would give you any comments direct on the sections relevant to them.

J S BEASTALL

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DATE : 6 JANUARY 1983

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J S BEASTALL

FROM: C J A CHIVERS

DATE: 6 January 1983

71

1. MR LOVELL

271 6/11

2. MR KEMP

cc Mr Bailey
Mr Burgner
Mr Moore
Mr Norgrove
Mr Hawley
Mrs Gasson

FORWARD LOOK: DOI

Your minute of 29 December

There is nothing "odd" about this at all. It is a correct, clear and comprehensive statement of the way present policies are likely to unfold. It shows the advantages of having a well-thought-out set of objectives for the Department, and of having a Policy Planning Unit under the admirable Mr Duguid.

2. Manpower is going to be the problem. Everything the DOI would like to do is constrained by civil service numbers more than by finance. They want to make all forms of industrial assistance - regional aid is only the most conspicuous example - more selective and better monitored. They want to put more people into technology transfer work, advice and consultancy services for small and medium-sized firms and the management of co-operative R&D (the Alvey fifth-generation computer project). It will all take extra numbers. And the privatisation of BT and other bodies will add to, not reduce, the requirement for civil service staff: witness the call for 50 extra staff for the new Office of Telecommunications.

3. Mr Jenkin is at this stage only warning about the prospect, not bidding. The language is very moderate. Much will depend, as he says, on what is decided about regional policy. And it may be that the way out on civil service numbers will be to hive off a lot of DOI activity into a Development Agency of some kind. There is no cause for alarm.

4. The Chancellor may want to reply to Mr Jenkin's letter of 23 December. If he does we shall need to concert with FP what he should say about Mr Jenkin's tax objectives (the "Climate for Enterprise" section). Most of these proposals are already to some

6/1
34

extent on the table, but I think a letter from the Chancellor would require a more considered appraisal than we can give them by your present deadlines.



KIT CHIVERS

1. We will consider whether a reply is needed on the tax points: most of what Mr Jenkin says is pretty familiar. The suggestions are generally admirable: the difficulties are those of resources and priorities.
2. One point you may like to note is the aim of Mr Jenkin to "eliminate the fiscal bias which favours investment in property and pensions over productive assets". This could have far-reaching effects - and/or could prove very costly, in so far as "eliminating the bias" involves more tax reliefs for prudential assets without withdrawing reliefs elsewhere.



EPK

CONFIDENTIAL

From: P J HIGGINS
Date: 6 January 1983

MR KEMP

cc Sir Douglas Wass
Sir Anthony Rawlinson
Mr Mountfield
Mr I P Wilson
Mr K T King

FORWARD LOOK

In your minute of 29 December you asked under secretaries to let you know of major points in their areas that might be pointed out to the Chancellor. I offer below comments on Mr Nott's contribution of 24 December.

2. As Mr Nott's covering minute points out, the Prime Minister's remit is not as directly applicable to defence as it may be to other departments. The bulk of his note (paragraphs 6-12) consists of personal speculation on the future of the NATO Alliance, and of the possibilities (very limited) of any alternative defence policy.

3. Paragraphs 13-15 deal relatively moderately with the future expenditure demands that defence might impose: the greater the increases in the defence budget, the more enhancements to military capability we shall be able to make. Mr Nott says virtually nothing about the manpower implications of defence policy.

4. There are three aspects of Mr Nott's note that might be brought to the Chancellor's attention. The first is the restatement of the MOD aim to extend the 3% pa growth in defence expenditure up to 1988.

5. Second is the misrepresentation of the 1979 manifesto commitment. There was no commitment "to meet the NATO aim on defence spending". Although the manifesto (extract attached) recognised the need for "significant increases" in defence expenditure, it specified no figures and made no reference to the NATO aim.

6. Third, paragraph 3 of the note understates the Government's achievements on defence. Mr Nott's reticence about the level of UK defence expenditure in absolute terms - the second highest in the Alliance - is familiar to Treasury ministers. This modesty also

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extends to the impact of the Government's generosity over the Armed Forces' conditions of service. Mr Nott talks merely of "welcome improvements" in recruitment and retention. In fact retention is at a record high; virtually all recruitment targets are being met, and applicants are so numerous that recruiting standards have been raised.



P J KITCATT

6. A strong Britain in a free world

IMPROVING OUR DEFENCES

During the past five years the military threat to the West has grown steadily as the Communist bloc has established virtual parity in strategic nuclear weapons and a substantial superiority in conventional weapons. Yet Labour have cut down our forces, weakened our defences and reduced our contribution to NATO. And the Left are pressing for still more reductions.

We shall only be able to decide on the proper level of defence spending after consultation in government with the Chiefs of Staff and our allies. But it is already obvious that significant increases will be necessary. The SALJ discussions increase the importance of ensuring the continuing effectiveness of Britain's nuclear deterrent.

In recent times our armed forces have had to deal with a wide variety of national emergencies. They have responded magnificently despite government neglect and a severe shortage of manpower and equipment. We will give our servicemen decent living conditions, bring their pay up to full comparability with their civilian counterparts immediately and keep it there. In addition, we must maintain the efficiency of our reserve forces. We will improve their equipment, too, and hope to increase their strength.

THE EUROPEAN COMMUNITY

If we wish to play our full part in shaping world events over the next few critical years, we must also work honestly and genuinely with our partners in the European Community. There is much that we can achieve together, much more than we can achieve alone.

There are some Community policies which need to be changed since they do not suit Britain's—or Europe's—best interests. But it is wrong to argue, as Labour do, that Europe has failed us. What has happened is that under Labour our country has been prevented from taking advantage of the opportunities which membership offers.

FROM: E P KEMP
7 January 1983

CHANCELLOR OF THE EXCHEQUER

- cc Chief Secretary
- Financial Secretary
- Economic Secretary
- Minister of State (C)
- Minister of State (R)
- Sir Douglas Wass
- Sir Anthony Rawlinson
- Mr Littler
- Mr Bailey
- Mr Middleton
- Mr Moore
- Mr Mountfield
- Mr Norgrove
- Mr Ridley
- Mr Harris
- Mr French
- COGPEC (without attachments)

- We need:*
- ① To clear (in detail?) with PAs what we had indicated verbally 20th, also
 - ② Prepare brief consolidated comments which will need a general, as well as annexed separate, section as annexed separate. Section
 - ③ PE then, if so, do a very short one hour note to negotiation. Then on Friday or the by the way, for following + thinking when to be made (1.3. on D.Em + D.O.E), as well as when a general mind @ end of this minute. (We then comment not August 1983?)

FORWARD LOOK

④ We should have for recording of DTI (the ground will be fertile), as many - with this - to handle

We now have sight of further returns from your colleagues on this matter. All that remains for us to see now are those of the Secretaries of State for Scotland, Social Services, Energy, and Northern Ireland, and the Minister of Agriculture. No doubt your Private Office are arranging to get hold of copies of these.

choice of Ministers' priorities
⑤ More to be handled separately

2. As I understand it, you are still considering how you want these various responses, and your initial comments on them, handled within the Treasury. Meanwhile, as you know, we have been carrying out what I have described as a "quick scan" of the various returns to see whether they include ideas which could cause difficulties eg by involving substantial new public expenditure commitments or by suggesting the creation or renewing of troublesome pledges; or, indeed, more generally whether they include anything that looks plain odd. You may like now to have the results of this quick scan so far as the returns we have seen go. These are attached.

3. As you will see, from the point of view of new expenditure or tax proposals which might militate against your strategies, there is nothing very surprising. On the other hand, as I pointed out, many of the responses do, explicitly or implicitly, involve additional expenditure albeit of an unsurprising kind;

@ following list. May (the again re-issues for what? I don't think there make all PAs points. (No other includes J.N. O'Brien's letter N.A. 10/11) should?

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and very few indeed of them show any awareness of the need actually to reduce expenditure and level of taxation. It is worth noting that there is a link here with the long-term public expenditure exercise, and indeed some of the returns clearly run over the same sort of ground - as no doubt would our response if we were to make one.

4. More generally still perhaps I could say that further returns I have seen seem to me to confirm the personal view I set out in my minute of 31 December; first that the ideas set out seem in general to be relatively unadventurous and unradical; and second that there may well be a need for someone to look at the returns on a "horizontal" rather than a "Departmental" basis, so as to consider what in total various Departments are doing about subjects which span more than one - for instance, privatisation and contracting-out, reducing rigidities in industrial and social structure, regional policy, the problems of unemployment and the unemployed, and education and training.

ADD - *Uplifting the labour market*
- Sharply improving the return
on money with capital
- The last of which rounds
is first which is this
week's Economic

EPK

E P KEMP

FORWARD LOOK - QUICK SCAN

INDEX

<u>Department</u>	<u>Group</u>	<u>Annex No</u>
Home Office	HE	A
DES	HE	B
Transport	HE	C
LCD, Land Registry and OAL	HE	D
DOE	LG	E
MOD	DM	F
DOI	IA	G
FCO	OF	H
DOT	AEF & IA	I
Wales	ST	J
Employment	IC	K

THE FORWARD LOOK: HOME OFFICE

The Home Secretary's proposed programme is broadly the mixture as before, and appears to rely on the continuation of the 1979 Manifesto commitment on priority for law and order. Such a commitment makes it more difficult to contain public expenditure bids, and/or find offsets in the Home Office programme. At £100 million (by 1987-88) the bids are probably understated (or rely heavily on doubtful assumptions about offsets eg. substantially reducing prison overtime). It is noticeable that the reference to civil defence is carefully played down. The proposals likely to emerge from the Home Office could add £20 million a year on planning for evacuation, and large sums on stock piling certain materials, and in the provision of communal shelters.

Extensions of policy likely to add substantially to public expenditure and public sector manpower will need to be tested vigorously. The issues most likely to separate departments is the case for extra manpower for the police and prisons. Policemen cost about £25,000 each and it is difficult to ascribe any extra value for the incremental input. In both cases, Treasury would want to see better use made of existing resources before additional manpower is agreed. The cost estimate does not include the resource implications underlying the development of an independent prosecution service. These implications would have to be carefully considered as a prior question, before any decision about introducing an independent prosecution service can be taken.

31 December 1982

HOWARD GOFF: DES

Most of Sir K Joseph's material consists of an exposition of good intentions based on descriptions of existing policies and agreed initiatives. It is not sufficiently strongly stressed that those intentions can be carried forward only as expenditure constraints allow but generally there are no serious attempts to make expensive policy bids. Nor, however, despite the occasional reference to cost effectiveness, are there any proposals aimed at making substantial savings in the programme.

2. So most of the paper probably does not call for Treasury comment, apart from general remarks about the need for "improvements" to be contained within expenditure plans and the lack of ideas for expenditure savings in the longer term. The exception is paragraph 8. It is an obscurely worded attempt to release education from the restrictions of general policy on local authorities, proposing for the Secretary of State "a limited power of direct financial support". This has expenditure consequences and it ought to be made clear that nothing can be agreed in this field before it has been discussed with the Treasury.

3. One other point of interest is paragraph 11 which refers to possible changes in tuition fee patterns. The Treasury knows nothing of DES thinking in this field but it is of great potential interest, since a revised fee structure could be a useful part of a more market-oriented policy on higher education.

31 December 1982

... of the Department's activities (e.g. road safety; urban road policy; railways; rural transport) and short on term proposals. It is typical of the Department to want to move in a piecemeal fashion in so many areas.

As for expenditure there are ritual references to containing the total. But the total is presently inflated by excessive subsidies both to local authority bus and underground services, and to British Rail. While there may be a case for some transfer of resources to roads we should not allow the case for extra roads expenditure for its own sake to go unchallenged. The bypasses and roads now being constructed are, in general, at the end of the major roads programme, and do not necessarily offer good return for the exceptionally expensive investment (Mr Howell's reference to reducing the cost of urban road building is welcome in this context). Nor is it self-evident that it would be Government policy "to sustain private sector road construction firm and consultants".

The claims made in paragraph 7 for private finance for roads are almost certainly exaggerated. The royalties scheme is a doubtful starter, and could take several years to influence the total programme.

As far as railway policy is concerned, action on the Serpell report will be needed in this session, rather than in the next Parliament as suggested on page 2 of the covering note.

justice. In principle this is all right. But the potential gains, as well as the gains in efficiency and possibly on manpower would need to be carefully assessed before any commitments could be given to a programme of this sort which would require the assent of the Home Secretary in respect of the functions which the Home Office would be required to shed. An LCD with the wider responsibilities suggested by Lord Hailsham would be more like the Ministries of Justice in other countries, and the organisation and manning of the LCD would need to be strengthened to match.

LAND REGISTRY:

2. Completion of the extension of compulsory registration of land to the whole of England and Wales would be a desirable objective, but would have to be reconciled with the Government's aim to reduce the number of public servants.

ARTS AND LIBRARIES:

3. This says more about what has been done than about what might be done in the future, but the inevitable desire to see more money go into the arts by keeping up the level of funding in real terms, and by giving industry more tax concessions to channel money into the arts. There are obscure references to introducing private capital into the British Library. We understand this refers to possible privatisation of the science reference section.

What is conspicuously lacking is any attempt to ask the question whether public funding of the arts would be more effective if it was spread more thickly over fewer bodies. This would not be popular except with those bodies who benefited from the change in policy. But it is the logical corollary of opening new institutions, like the Theatre Museum, and improving old ones at a time when tastes are changing, and so is the distribution of population, industry's willingness and ability to provide sponsorship for the arts at a time of low profits, not to mention the government's pressure on local authorities to reduce their current expenditure.

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Part II 4(A)MISC 72

(i) Local Government Structure

The effects of abolishing the GLC and Metropolitan County Councils are rather understated. The transitional costs involved are inescapable and could be considerable, while the financial and manpower savings may be trivial.

(ii) Rates Reform

Despite appearances, this formidable list does not amount to much. The main Treasury point is that the decision to keep rates will force a decision on revaluation of the rate base. The dilemma is that the revaluation process adds to the manpower requirements and expenditure of the Valuation Office; yet it cannot be avoided indefinitely since less weight can be put on a rate base which measures taxable capacity badly because it is out of date. A decision on a non-domestic revaluation should be made fairly shortly while domestic revaluation can probably be left for the early years of the next Parliament.

(iii) Control of Local Government Expenditure

The marker in the Forward Look glosses over a fundamental disagreement between the Treasury and the departments with local authority responsibilities. The Chief Secretary is still pressing the case for selective limits on rate increases as a means of restraining local authority current expenditure. If agreed, it would be two or three years before such a scheme could be implemented.

The alternative policy mentioned would require electoral sanction of certain local government financial policies. It is not clear that it would be an effective means of limiting the growth of local government expenditure.

14 JAMES CL. HATCH, POLITICAL AND ECONOMIC REFORMS IN THE U.K.
23 DECEMBER

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Conjecturing Cut II: Local Government

Mr Heseltine currently states the agreed position that example and exhortation are the appropriate tools for the immediate future. If much more is to be achieved, however, legislation may well be required in the next Parliament.

II 2(B) and (D)

Capital Allowances for Private Sector Shared Ownership/Tax Allowances for Landlords' Repairs

There are proposals for extending tax reliefs in the housing field: as we know from their submission of 22 December, Inland Revenue are likely to have reservations on this. There are major problems in extending Capital Allowances for rented accommodation (II2B); allowing relief for landlords' repairs against all income (II2D) seems undesirable and unlikely to be a major help in improving the housing stock.

III * Local Government

The proposed inquiry into the politicisation of the institutional framework of local government is new. It looks rather like a diversionary tactic.

Some local authorities are undoubtedly in the grip of extreme elements of a single political party. But it is not obvious that it is the structure of the institutions which is at fault. More generous remuneration of councillors, introduced in 1974, has extended the catchment group for elected members down the social scale. The simultaneous reorganisation of local government outside London, sweeping away many established traditions, may also be partly responsible for increased politicisation.

Mr Heseltine promises more detailed proposals. Treasury Ministers can take a view then! But action on this front should not be taken as a substitute for cracking the fundamental problem of local authority overspending.

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15 III 3(A) Building Societies' Powers

Treasury Ministers are aware of the consideration of Building Society powers; some change is desirable. However, some of Mr Heseltine's thinking may be more radical than the problems require. We need to be cautious about seeing the Societies as major developers and landlords. But, subject to prudential considerations, there is no real difference here between DOE and ourselves.

III 3(A) Urban Renewal Agencies

The proposal for an unspecified number of Urban Renewal Agencies will need to be looked at critically. Mr Heseltine seems to envisage central government funded quangos (each with 50-80 staff and an annual budget of \$25-40 million) under the control and direction of the Environment Secretary. It is not self-evident that this would be a cost-effective way of achieving desirable urban renewal; the question will have to be pursued with DOE so that we can see what analysis they have to support the proposal.

III 5(C) Tighter Standards: Benefit to the Equipment Industries

There are good grounds for tightening up on pollution control; however the case for abandoning the principle that the polluter shall pay is not made out. We should be cautious about Mr Heseltine's suggestion for discretionary grants to industry.

11 (a) Building Societies' Powers

Treasury Ministers are aware of the consideration of Building Society powers; some change is desirable. However, some of Mr Heseltine's thinking may be more radical than the problems require. We need to be cautious about seeing the Societies as major developers and landlords. But, subject to prudential considerations, there is no real difference here between DOE and ourselves.

III 3(A) Urban Renewal Agencies

The proposal for an unspecified number of Urban Renewal Agencies will need to be looked at critically. Mr Heseltine seems to envisage central government funded quangos (each with 50-80 staff and an annual budget of £25-40 million) under the control and direction of the Environment Secretary. It is not self-evident that this would be a cost-effective way of achieving desirable urban renewal; the question will have to be pursued with DCE so that we can see what analysis they have to support the proposal.

III 5(C) Tighter Standards: Benefit to the Equipment Industries

There are good grounds for tightening up on pollution control; however the case for abandoning the principle that the polluter shall pay is not made out. We should be cautious about Mr Heseltine's suggestion for discretionary grants to industry.

FORWARD LOOK: FCO CONTRIBUTION

OF immediate comments are :

- i. in general the FCO contribution seemed high flown talk, causing no problem of substance;
- ii. as regards 2(c), the idea of an energy initiative (treatment of North Sea oil as an EC resource, so serving the same purpose for the UK as the CAP had served for others) has not for tactical reasons been quite allowed to die. But it will probably never be a serious runner;
- iii. the policy stance at 2(d) may cause the Prime Minister concern but does not worry the Treasury. On the contrary.

10-11-1972

(87)

Economic development : roads

The first paragraph of Mr Edwards' minute seems to imply a continued high level of commitment to new road building in Wales, even though the economic justification for individual schemes is likely to be slim. Of special concern to the Treasury is the reference to "adequate public commitments" to a second Severn Bridge. A working party of Department of Transport, Welsh Office and Treasury officials has recently concluded that there is no economic case for this project at present (although traffic growth may create such a case by 2010, in which case planning should begin in 5 or 10 years' time, not now). To make this potentially very expensive commitment now would be quite at odds with the Government's general stance on public expenditure.

Education

2. On pages 3-5 of his minute the Secretary of State argues that a "major new initiative", possibly involving structural change, is needed to produce an educational system more suited to today's social and economic circumstances. The nature of this is very unclear and he accepts that much further study is needed, but clearly the cost of any such initiative would need to be watched very closely. His two specific proposals are for an extension of in-service teacher training - for which he may already have funds available - and a reduction in the size of classes for the least able pupils which he says would have resource implications. No attempt is made to quantify this cost but it could be substantial, and the suggestion that more teachers are needed flies in the face of current efforts to reduce local authority expenditure.

Housing

3. Mr Edwards proposes a new form of improvement grant for pensioners. In expenditure terms this is a modest proposal, but the Chief Secretary has already turned it down for the time being. It might however be looked at again in the context of a general review of improvement policy now under way.

FROM: M C MERCLER
DATE: 7 January 1982

MR KEMP

cc Mr Gordon

COGPEC: FORWARD LOOK - DEPARTMENT OF EMPLOYMENT

On the face of it Mr Tebbit's contribution to this exercise is relatively modest and straightforward to the extent that it neither suggests new commitments nor digs up old ones which, from the Treasury point of view, could more conveniently remain buried. There is a fair amount about the way in which existing programmes and policy initiatives might develop. But this is almost always in the context of objectives which have been collectively agreed; and due regard is paid to the future availability of resources.

2. However there is one general point which the Chancellor might care to take up. It relates to special employment measures and is encapsulated in the statement in paragraph 22 of the paper that: "These measures can hardly be regarded any longer as temporary expedients". Given the history of the past couple of years this is difficult to gainsay. And we are not unsympathetic to the notion that the unexpected level and persistence of unemployment may inevitably lead to growing expenditure on palliatives. However, the other side of this coin is that individual special measures ought no longer to be considered in isolation. They interact with each other (and often overlap) and collectively they involve expenditure on a scale which ought at least to be considered in the context of its broader impact on fiscal policy. Moreover, in the case of many special measures, the second round costs (eg. in terms of the labour market) become more pronounced the longer the measure is in force. So there are a whole series of broad macro-economic implications in a shift from temporary expediency to schemes which are a quasi-permanent part of the landscape.

3. Mr Tebbit's paper does not really take account of this. One would like to have seen rather more about the need to review the role and value for money of special measures per se. By focussing on individual schemes (however modestly) Mr Tebbit tends to gloss over the wider policy questions, many of which are of presentational as well as strategic importance.

M. C. Mercer

M C MERCER

Perhaps I could add that one might have expected a bit more here about proposals that are actually aimed at bringing unemployment down (the corollary of Mr Tebbit's view that the special employment measures are no longer temporary is that he thinks that unemployment is going to remain high for a long time). What Mr Tebbit says about eg training for work, pay and industrial relations is all very well in its way, and, as he says, directed towards the creation of new jobs. But what he says seems fairly unoriginal and modest, against the size of the problem and against the sort of ideas we know have been floated elsewhere. Mr Tebbit might reasonably answer that a lot of what can be done in this area falls other than to his Department - thus to the Treasury so far as the macro economic scene etc goes, and to DHSS so far as the interaction between pay and benefit level goes. But even so (unless Mr Tebbit has some idea he does not want to risk committing to paper in this context, which is possible) one might have expected more on this very obvious issue.

EPK

COVERING CONFIDENTIAL

FROM: N G FRAY
DATE: 11 JANUARY 1983

PS/CHANCELLOR (MISS O'MARA)

- cc PS/Chief Secretary
- PS/Financial Secretary
- PS/Economic Secretary
- PS/Minister of State (C)
- PS/Minister of State (R)
- Sir Douglas Wass
- Sir Anthony Rawlinson
- Mr Burns
- Mr Littler
- Under Secretaries
- Mr Traynor
- Mr St Clair
- Mr D M Williams
- Mr Norgrove
- Mr Corcoran
- PS/Customs & Excise
- PS/Inland Revenue
- PS/DNS

c
*You may like to see
before we send off.*

Mon

11/1

Why on the 2

*MISC 14 items sent
to take? from M16
discuss 1 was*

CABINET OFFICE "FORWARD LOOK"

*expected
then within a week or two: why not?*

In his letter of 3 December, Mr Hilary of the Cabinet Office asked for details of business likely to come forward between now and the end of March.

2. I attach a draft reply covering domestic matters. Mr Springthorpe has been conducting a parallel exercise for overseas and defence matters, and will be submitting a return separately.

now included

3. The Pre-Budget Cabinet has been provisionally put down for 3 February. We have been in touch with the Cabinet Office and they have reserved this slot. You might like to know, however, that this date has not yet been formally cleared with the Prime Minister by the Chancellor.

4. On the pay side, MISC 66 supported by the official group MISC 67 will be overseeing the 1983 pay negotiations for the non-industrial Civil Service. It is possible that at some stage there may be a need for Cabinet to be consulted.

5. Another point. Inland Revenue have submitted a nil return, after deciding to drop their entry on 'Taxation of Husband and Wife' which appeared in the last note. The

'Taxation of Husband and Wife' now comes under the Family Policy Group which is made up from Cabinet Ministers. It is unlikely, therefore, that this subject will be discussed in both the Family Policy Group and a Cabinet Committee.

6. These points have been included in the draft covering minute, but you might consider them not to really merit a mention to the Cabinet Office. However, if anything, I suggest they be informed about the Pre-Budget Cabinet.

A handwritten signature in black ink, appearing to read 'N G Fray'. The signature is fluid and cursive, with a large initial 'N' and 'G'.

N G FRAY

COVERING CONFIDENTIAL

~~DRAFT~~ LETTER FROM: PS/CHANCELLOR

TO: M S BUCKLEY
CABINET OFFICE
70 WHITEHALL
LONDON SW1A 2AS

✓ 12/1

pl. type

(plus anecdote
to talk below)

"FORWARD LOOK"

I enclose our return, with apologies for the delay, showing details of business likely to come forward between January and the end of March, as requested in Mr Hilary's letter of 3 December.

2. There are a few points which you might like to bear in mind.

3. The Pre-Budget Cabinet has only been provisionally booked for 3 February as this date has not yet been formally cleared with the Prime Minister.

4. On the ~~Pay~~ side, MISC 66 supported by the official group MISC 67 will be overseeing the 1983 ~~Pay~~ Negotiations for the non-industrial Civil Service. It is possible that at some stage there may be a need for Cabinet to be consulted, though this is still uncertain.

5. Finally, Inland Revenue have decided to drop their entry on 'Taxation of Husband and Wife' which appeared in September's entry. The 'Husband and Wife' theme is now covered by the Family Policy Group which, as you know, is made up from Cabinet Ministers. It is unlikely, therefore, that this subject will be discussed in both the Family Policy Group and a Cabinet Committee.

[M O'M]

CONFIDENTIAL

TITLE/MAIN ISSUE	CABINET/ COMMITTEE SUB-COMMITTEE	DATE LIKELY TO GO FORWARD	DEPARTMENTS WITH A MAJOR INTEREST	PREVIOUS DISCUSSIONS	OTHER COMMENTS
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Budget Cabinet	Cabinet	14 March	All	-	-
1983 Public Expenditure Survey: guidelines and timetable. Paper by the Chief Secretary	Cabinet (if not cleared by correspondence)	mid to end-February	All	-	Should not slip beyond February: Survey timetable is being slightly brought forward against possibility of a summer election]
End-year flexibility for cash limits covering capital and equivalent expenditure	Cabinet	February/March, <u>either</u> in context of Budget changes in public expenditure, <u>or</u> in context of public expenditure survey launch	All with large capital and equivalent programmes, particularly MOD, DTp, DOE	Paper circulated Cabinet 15.7.82 (C(82)29 - End year flexibility for public expenditure) but not discussed. Subject raised at 2 November 1982 Cabinet by Mr Howell, but not pursued. No end year flexibility scheme for carry forward of 1982-83 underspends	This item is a <u>possibility only</u>
Nationalised Industries Quarterly Monitoring Report (End-December)	E(NI)	Early March	All Nationalised Industry Sponsor Departments	-	-
Programme of MMC references 1983 and Jan-June 1984	E(NI)	Early February	All Nationalised Industry Sponsor Departments	-	-
Performance Related Pay for NI Board Members	E(NI)	Early February	All Nationalised Industry Sponsor Departments	-	-

CONFIDENTIAL

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<p>Social Security uprating in November 1983 and future legislative provisions for uprating social security benefits</p>	Cabinet, after MISC 88	Currently under consideration by MISC 88, to Cabinet late-January/early February	DHSS	MISC 88 1st meeting on 14.12.82	Legislation will be required to recover overshoot, and, potentially, to provide long term amendment to uprating provisions
<p>Future of Harland and Wolff yard: consideration of a joint Treasury/NI officials' report commissioned last year by E(NI)</p>	<p>E(EA) [It is understood that the Cabinet Office wish to transfer H & W business to their ^{this} sub-committee from E(NI).]</p>	February	Northern Ireland Departments and No 10; DOI	E(NI)(82)8 Mtg	<p>Developments meanwhile over the Blue Star order approved by Ministers last year (it is not yet clear whether H & W will secure it) could make it necessary to hold to a February timetable</p>

CONFIDENTIAL

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Breaking statutory link between uprating of Social Security benefits and of public service pensions	Cabinet, after MISC 89	MISC 89 late January Cabinet end January/early February	DHSS and some other Departments	Discussed Cabinet 2.11.82 (CC(82)46th Mtg) and MISC88's first Mtg on 14.12.82 is also relevant	If decided, early legislation may be required
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Education and Training	MISC 14	End-January? <i>Late January?</i>	CPRS (in the lead) Cabinet Office, DOI DES, DEm	MISC14(81)2nd Mtg MISC14(80)4th Mtg MISC14(80)1st Mtg	General Progress Report
Planning	MISC 14	Possibly end-March <i>Late January (probably)</i>	DOE (in the lead) CPRS, SO, WO	-	Future course of planning policies
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Management of Home Defence expenditure	OD(HD)	January/February 1983	All Home Departments and MOD	OD(HD) (82) 1st Mtg	General debate on nuclear/civil defence policy





Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

12 January 1983

M S Buckley Esq.
Cabinet Office
70 Whitehall
LONDON
SW1A 2AS

cc PS/CST
PS/FST
PS/EST
PS/MST(C)
PST/MST(R)
Sir D Wass
Sir A Rawlinson
Mr Burns
Mr Littler
Under Secs
Mr Traynor
Mr St Clair
Mr D M Williams
Mr Norgrove
Mr Corcoran

PS/C&E
PS/IR
PS/DNS

Dear Michael,

"FORWARD LOOK"

I enclose our return, with apologies for the delay, showing details of business likely to come forward between January and the end of March, as requested in Mr Hilary's letter of 3 December.

There are a few points which you might like to bear in mind.

The Pre-Budget Cabinet has only been provisionally booked for 3 February as this date has not yet been formally cleared with the Prime Minister.

On the pay side, MISC 66, supported by the official group MISC 67, will be overseeing the 1983 pay negotiations for the non-industrial Civil Service. It is possible that at some stage there may be a need for Cabinet to be consulted, though this is still uncertain.

Finally, Inland Revenue have decided to drop their entry on 'Taxation of Husband and Wife' which appeared in September's entry. The 'Husband and Wife' theme is now covered by the Family Policy Group which, as you know, is made up from Cabinet Ministers. It is unlikely, therefore, that this subject will be discussed in both the Family Policy Group and a Cabinet Committee.

Yours sincerely,

Margaret O'Mara

MISS M O'MARA
Private Secretary

CONFIDENTIAL

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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

12 January 1983

M S Buckley Esq.
Cabinet Office
70 Whitehall
LONDON
SW1A 2AS

cc PS/CST
PS/FST
PS/EST
PS/MST(C)
PST/MST(R)
Sir D Wass
Sir A Rawlinson
Mr Burns
Mr Littler
Under Secs
Mr Traynor
Mr St Clair
Mr D M Williams
Mr Norgrove
Mr Corcoran

PS/C&E
PS/IR
PS/DNS

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*It has now -
still*

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Margaret O'Mara

MISS M O'MARA
Private Secretary

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CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 127029

John [unclear]
JWR

J.P.

Group

EXCHEQUER
DATE 14 JAN 1983
RECEIVED BY Mr Kemp
COPIES TO CST FST EST
MSTC MSTR
Sir D. Weiss
Sir A Rawlinson

CONFIDENTIAL

Reference No: E 0222

Miss M O'Mara
Treasury Chambers,
Parliament Street,
LONDON SW1P 3AG

14 January 1983

Mr Burt Mr Little
Mr Traynor Mr St-Clair
Mr D. Williams Mr Norgrove
Mr Conroy Mr Ridge
PS/CBE
PS/IR.
PS/DNS,

Dear Margaret,

FORWARD LOOK

Thank you for your letter of 12 January. May I make two comments?

2. First, on taxation of husband and wife. Although, as you say, this has been under discussion in the Family Policy Group, the Group is technically only an informal gathering of Ministers; and we assume that a matter of such political importance would have to be discussed in E or full Cabinet. It may be that decisions will not be required until after Easter; but I think that you should plan on the basis that approval from the Cabinet or a senior Cabinet committee will be needed in due course.

3. Secondly, end-year flexibility. You say that this is a 'possibility only'. The Prime Minister's summing up of the Cabinet discussion on 2 November said that the Cabinet would consider at an appropriate time whether a scheme of end-year flexibility should be introduced for 1983-84. It seems clear to me that the matter must be brought back to the Cabinet, and in time for a scheme to be introduced, if the Cabinet so decide, in 1983-84. Within this constraint, the timing is for Treasury Ministers to decide; but I would have thought that either of the two occasions mentioned in the annex to your letter would be suitable.

Yours sincerely,

Michael Buxley

M S BUCKLEY

CONFIDENTIAL

FROM: JOHN GIEVE

DATE: 19 JANUARY 1983



→ PRINCIPAL PRIVATE SECRETARY

cc. Financial Secretary
Economic Secretary
Minister of State (C)
Minister of State (R)
Sir D Wass
Sir A Rawlinson
Mr Burns
Mr Littler Mr Kemp
Mr Traynor
Mr St Clair
Mr D Williams
Mr Norgrove
Mr Corcoran
Mr Ridley

PS/C&E

PS/IR

PS/DNS

FORWARD LOOK

The Chief Secretary has seen Mr Buckley's letter to Margaret O'Mara. He would prefer the later date of the two mentioned in the annex to Margaret's letter of 12 January.

c
You'll see that Cabinet Office have left it to Treasury Ministers to decide whether the subject of end year flexibility for cash limits should be taken in January in the context of Budget changes in public expenditure or in March when the PES is launched. This is really the CST's pigeon and he gets for March. That sounds right to me too — the more we can treat this as an adjustment to the grand rules of the Survey, the better, I imagine, as it's discussed outside the Budget context. There's less bias towards changing the rules in a major way.

MOM

20/1

JG

JOHN GIEVE
19 JANUARY 1983



CONFIDENTIAL

John
pps with you
Chris



10 DOWNING STREET

From the Private Secretary

20 January 1983

CHECKED ✓ 24/1
21 JAN 1983

MR KEMP (b) / Mr Troutfield (a)

COPIES TO
CSI FST EST MSTC MSTR.

SIR D. WASS.

SIR A. RAWLINSON Mr LATER
Mr Middleton Mr Bailey

COGPEC Under-secretaries
Mr Ridley, Mr French, Mr Mann

Dear John,

Five Year Forward Looks

The Prime Minister and the Chancellor had a word this afternoon about the Five Year Forward Looks which Departments have produced.

The Prime Minister said that she would find it helpful if the Chancellor had a note prepared within the Treasury which brought together all these Forward Looks and which identified the public expenditure (a) implications and drew attention to any gaps in them (b) and overlaps between them.

I am sending a copy of this letter to Richard Hatfield (Cabinet Office).

Yours sincerely,

Michael Scholar

John Kerr, Esq.,
H.M. Treasury.

CONFIDENTIAL



FROM: MISS M O'MARA
DATE: 20 January 1983

MR KEMP

cc: Chief Secretary
Financial Secretary
Economic Secretary
Minister of State(C)
Minister of State(R)
Sir D Wass
Sir A Rawlinson
Mr Burns
Mr Littler
Mr Traynor
Mr St Clair
Mr D Williams
Mr Ridley
PS/Customs and Excise
PS/IR
PS/BNS

FORWARD LOOK

The Chancellor has seen Mr Buckley's letter of 14 January and the Chief Secretary's view recorded in Mr Gieve's minute of 19 January. He too prefers the later date.

nwm

MISS M O'MARA

CONFIDENTIAL

FROM: N G FRAY
DATE: 21 January 1983

MISS O'MARA

cc Mr Moore
Mr C W Kelly
Mr Kemp
Mr Norgrove
Mr Willmer - IR

CABINET OFFICE "FORWARD LOOK"

Mr Buckley's letter of 14 January made two comments on our "Forward Look" entry.

2. I have now checked these with the relevant Divisions and the Inland Revenue.
3. On the subject of Taxation of Husband and Wife, both Mr Moore and Inland Revenue agree with Mr Buckley's comments. Inland Revenue agree that any decisions will need to be referred to Cabinet or E but there is only a very remote possibility of this happening before Easter. So this, in effect, is a nil return, as no discussion can be foreseen between now and the Recess.
4. I believe that Mr Mountfield has spoken to Mr Buckley about 'End-Year Flexibility'. The entry of this as a 'possibility only' was probably a mistake. Mr Kelly says that this may now be cleared by correspondence but you will have seen the Chief Secretary's comment that he would prefer the later of the two dates if this does go to Cabinet.
5. I attach a draft letter for you to send to Mr Buckley on the lines given above.



N G FRAY

cc Chief Secretary
Financial Secretary
Economic Secretary
Minister of State (C)
Minister of State (R)
Sir D Wass
Sir A Rawlinson
Mr Burns
Mr Littler
Mr Traynor
Mr St Clair
Mr D Williams
Mr Norgrove
Mr Corcoran
Mr Ridley

CONFIDENTIAL



PS/C&E
PS/IR
PS/DNS

Handwritten initials, possibly 'M' or 'Mf', in the top right corner.

Mr Kemp M S Buckley
Cabinet Office
70 Whitehall
LONDON SW1

24 January 1983

Dear Michael,

FORWARD LOOK

Thank you for your letter of 14 January.

On taxation of husband and wife, we agree that a discussion in E or full Cabinet will be necessary but the Inland Revenue consider that the chance of a paper going forward either to Cabinet or one of its Committees before Easter is very remote. We therefore now regard this item as a nil return. However, you might still like to register the possibility and I enclose an entry which you could use if you want to do so.

I believe Peter Mountfield has already spoken to you about end-year flexibility. It is possible that this subject will be cleared in correspondence but, if it is to go to Cabinet, we should prefer the later of the two dates mentioned in the Annex to my letter of 12 January.

Yours sincerely,

Margaret O'Mara

MISS M O'MARA
Private Secretary

CONFIDENTIAL

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TITLE/MAIN ISSUE	CABINET/ COMMITTEE/ SUB-COMMITTEE	DATE LIKELY TO GO FORWARD	DEPARTMENTS WITH A MAJOR INTEREST	PREVIOUS DISCUSSIONS	OTHER COMMENTS
Taxation of Husband and Wife	Cabinet or E	Only a remote possibility before the Recess	DHSS, DEM		

5/ Forward looks with you.

R/

FROM: E P KEMP
26 January 1983

MR KERR

cc Mr Mountfield

FORWARD LOOK

Mr Mountfield and I are starting to think about how to put in hand the work commissioned in the recent No 10 letter. But we are still missing some returns. We have got those from Home Office, DES, Transport, Lord Chancellor's Department, OAL, DOE, MOD, DOI, FCO, DOT, Wales and Employment. This leaves (at the least) Scotland, Social Services, Energy, Northern Ireland and MAFF. In addition I do not know whether any other much smaller Departments have put anything in - eg the MPO.

2. It would be helpful if your office could secure copies of the missing documents from No 10.

3. Incidentally, Mr Mountfield and I are taking the view that in carrying out the work commissioned by No 10 we should not, as a general rule, approach other Departments. We should do it in-house. If there are any really obscure points of apparent importance which can only be clarified by consulting the Department concerned then I think we should pause and, perhaps, may be consult you before proceeding. But with any luck there will not be any such points.



E P KEMP



10 DOWNING STREET

From the Principal Private Secretary

1111
C
would you like to have a
talk with P.C.?
Bepin / (P.C.?)
1/2
J.R.C.

I. Sh. like
C.D.L.,
A.R., P.L.

31 January 1983
Mr Ridley
Chief Secretary

Dear John,

FIVE YEAR FORWARD LOOKS

Michael Scholar wrote to you on 20 January agreeing that it would be useful if the Treasury prepared a commentary on the five year forward looks which can then be used as background to the exercise on long-term public expenditure.

The Prime Minister considers that these minutes would also be a useful source of material on the programme of a further Conservative Government, alongside the material which is being prepared by the Conservative Party Policy Groups under the supervision of the Chancellor of the Exchequer. The five year forward looks contain a lot of sensitive material and they should not go outside the Government. So the Prime Minister has suggested that it would be useful if Mr. Peter Cropper produced an analysis of them on the basis that

- a. he does so in his capacity as special adviser to Mr. Parkinson;
- b. the papers do not go out of Government offices.

I am therefore sending a copy of this letter with a complete set of the papers to Alex Galloway (Chancellor of the Duchy's office) for him to make available to Mr. Cropper on the basis set out above.

I am also copying this letter to Richard Hatfield (Cabinet Office).

Yours ever,

Robin Butler

John Kerr, Esq.,
HM Treasury.

Miss O'Brien

FROM: E P KEMP
3 February 1983

COGPEC

(mp)

- cc Sir Douglas Wass
- Mr Littler
- Mr Middleton
- Mr Bailey
- Mr Norgrove
- Mr Ridley
- Mr Harris

A full 91
revisions
return
at 3
below
(signature)

5 YEAR FORWARD LOOK

You saw the No 10 letter of 20 January, but a further copy is attached for convenience.

2. GE and CU are jointly co-ordinating this work. The purpose of this note is to set out what we are looking for.

Public expenditure aspects

3. Groups are asked :-

- a. From their own knowledge, and wherever possible, to quantify the costs and savings of the various measures proposed in the returns from the Ministers in charge of the Departments which they are concerned with. What is looked for is an attempt to assess the additional costs of new or developed proposals over and above a continuation of existing policies. Account should be taken of the likely time that would be needed to introduce and phase in new proposals. For convenience today's prices should be used.
- b. Groups are also asked to note similarly any significant implications for public service manpower, again compared with existing plans.
- c. Some of the returns may propose measures of a tax nature. It would be helpful if Groups, consulting FP, could similarly assess and cost these on the same basis as the measures involving additional public expenditure.

- d. Groups are also asked to give a view on possible problems involved in introducing new proposals; eg need for consultation and/or legislation; and how far, and with whom, they are likely or not to prove controversial.

4. Returns might take the shape of the proforma at A below.

Gaps and overlaps

5. So far as gaps go, Groups are also asked to look at the returns in respect of their Departments to seek to identify any obvious gaps, where there are ideas for development of policy (not least ideas known to be considered important by Treasury Ministers) - which need not necessarily be firm or settled - which are not mentioned; and to draw attention to these and where possible to cost them in the same way as set out in paragraph 4 above.

6. Overlaps are a little more difficult, because it does not seem necessary to ask every Group to read every Departmental return. However CU will carry out a review of all the returns, and identify areas where there appear to be potential overlaps - one or two have immediately presented themselves such as training and education, and employment/unemployment. CU will arrange to draw these to the attention of the Groups whose Departments are involved, so as to help to produce an assessment of the extent and nature of any overlap, for reflection in the report for No 10.

General

7. Groups are asked not to consult with Departments. If there are proposals which are likely to have substantial expenditure or manpower implications which cannot be assessed even roughly from the return itself or from our own internal knowledge, then it might be right to consult the Department. But GE/CU should be consulted first.

8. Replies in respect of paragraphs 3 and 4 above should be sent to Mr Mountfield in GE, with a copy to CU; and replies in respect of paragraphs 5 and 6 above should be sent to me with a copy to GE. Copies of all replies

should also go to Mr Ridley. On timing, it would be helpful if we could have your returns by about Thursday of next week, 10 February. Extreme precision is not required, nor likely to be possible anyway; it may in many cases not be necessary to go further than the "quick scan" which has already been carried out.

8. In any cases of difficulty Mr Mountfield or myself will be glad to try to help.

9. I also attach at B a note showing who might be in the lead for each Department, but Groups may wish to sort out any rough edges themselves. I can supply copies of the returns to anyone not possessing what is needed. Some Departments' returns have in fact not yet been received and we are chasing them via Private Office; clearly in these cases the deadline must be flexible.

EPK

E P KEMP

5 YEAR FORWARD LOOK

Department

<u>PROPOSAL</u>	<u>P/Ex cost and timing</u>	<u>Manpower cost and timing</u>	<u>Tax cost and timing</u>	<u>Comment - problems, legislation, controversy</u>
-----------------	-----------------------------	---------------------------------	----------------------------	---

* Could also be saving

<u>Department</u>	<u>Group</u>
<u>Already received</u>	
Home Office	HE
DES and OAL	HE
Transport	HE with PE
LCD	HE
DOE	LG
MOD	DM
DOI	IA with PE
FCO	AEF
DOT	IA with AEF
Wales	ST
Employment	IA
<u>Still to come</u>	
Scotland	ST
DESS	ST
Energy	PE
Northern Ireland	ST
MAFF	IA

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

21 JAN 1983

20 January 1983

Mr Kemp (b) / Mr Hatfield (a)

CSI FOSTEST MSTR MSTR

Sir D. WASS.

Sir A. Rawlinson, Mr Lather
Mr Middleton, Mr Bailey

Five Year Forward Looks COGPEC Under-secretaries
Mr Ridley, Mr French, Mr Harris

Dear John,

X1

The Prime Minister and the Chancellor had a word this afternoon about the Five Year Forward Looks which Departments have produced.

JDL

The Prime Minister said that she would find it helpful if the Chancellor had a note prepared within the Treasury which brought together all these Forward Looks and which identified the public expenditure implications and drew attention to any gaps in them and overlaps between them.

(a)
(b)

I am sending a copy of this letter to Richard Hatfield (Cabinet Office).

Yours sincerely,

Michael Scholar

A Fray

Could you provide me with a copy of X pce?
Dorling

Mr Scholar

Let's have a meeting about this.

(b) is used for

John Kerr, Esq.,
H.M. Treasury.



with compliments

Office of the
CHANCELLOR OF THE DUCHY OF LANCASTER
70 Whitehall London SW1A 2AS
Telephone 01-233-7140

OUTSTANDING "FORWARD LOOKS"

LOOKS


RECEIVED	
-7 FEB 1983	
TO	Mr Kemp s.c (au)
COPIES TO	Mr Lovell
	Mr Bugner
	Mr Manger
	Miss Kelley
	Mr Pestell
	Mr Ridley
	h(1)

as necessary

(ENERGY)

ec J.V.

Prime Minister

FORWARD LOOK

This minute responds to your request in Cabinet on 29 July for a report on Departmental policy objectives over the next five years. It covers, as requested, major commitments outstanding from 1979, new proposals to develop reforms already under way and major new initiatives.

COMMITMENTS OUTSTANDING SINCE 1979

There are no undischarged energy commitments outstanding from 1979. But in the changing oil market, further tax changes, which are being discussed with the Chancellor, will be needed to reflect our 1979 Manifesto commitment that our oil tax and licensing policies will encourage new production.

FURTHER DEVELOPMENT OF CURRENT REFORMS

My major Departmental objective will be to expose the State-owned energy industries to competition by all feasible means, to press ahead with privatisation wherever possible and to continue to pursue other measures to make the public sector industries more efficient. Particular proposals, all of which carry risk of conflict with the unions, are set out below:

1. Gas

- further steps to break the monopoly of the British Gas Corporation, increase competition and attract private capital into the business, including the main business of supplying gas. Legislation is likely to be required early in the new Parliament.

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- stimulating, through a more open market in gas (including gas exports if appropriate), the further development of our offshore gas resources.

2. Electricity

- plans to restructure the nationalised electricity supply industry designed to stimulate competition and diversity and facilitate the subsequent introduction of private capital. I hope to bring forward legislative proposals early in the new Parliament, with a view to privatisation by the end of that Parliament.

3. Coal

- steps to bring the NCB to financial viability will be our overriding objective over the next 3 years. You are aware of the sensitive key issues. I shall bring forward other proposals (including privatisation of opencast) as progress on this main objective permits.

4. Atomic Energy

- plans to sell 49% of British Nuclear Fuels Ltd later in the new Parliament, the prospects for which will be reported shortly.
- given a successful outcome to the Sizewell PWR Inquiry, plans for the further development of our nuclear generating capacity.

5. Oil

- Disposals of further shares in Britoil, as in BP, are a matter for the Chancellor.

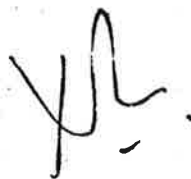
NEW INITIATIVES

This is a programme for a full Parliament. However, we also need to show ourselves to be sensitive to environmental issues and ready to act in appropriate cases. I should not seek on energy grounds to oppose either an initiative to secure European agreement to the introduction of lead-free petrol for all new cars by 1990 (though other constraints may bear on colleagues), or work towards a Community position on emission control from new coal-fired power stations.

MANPOWER AND EXPENDITURE IMPLICATIONS

The manpower and expenditure implications of these measures are too uncertain to quantify at this stage. Apart from the internal manpower implications for my Department, measures to privatise the gas and electricity industries could well require the establishment of regulatory agencies. Privatisation will involve some Exchequer costs, eg in relation to British Nuclear Fuels, but holds out the prospect of offsetting gains.

Because of the sensitivity of these proposals, I am not giving this minute wider circulation.



Secretary of State for Energy
22 December 1982

FROM: P MOUNTFIELD

DATE: 18 February 1953

MR RILEY

cc CCGEBC

FORWARD LOOK

I attach the final version (so far as this is possible at present) of our summary of the expenditure implications.

RM

P MOUNTFIELD

FORWARD LOOK : PUBLIC EXPENDITURE

This report is based on the ministerial replies, analysed by divisions without discussion with Departments. The new initiatives proposed seem to involve well over £7 billion per annum extra expenditure (in today's prices) by the end of the decade. It is difficult to add it up properly. Many of the bids are unquantified; some are a mixture of one-off and continuing expenditure. There are few offsetting savings: some unquantified windfall receipts from sales of assets, and some administrative savings from computerisation or privatisation. But overall, manpower requirements would increase.

2. The most striking feature is the lack of any major proposal which would actually reduce expenditure.

3. On these figures, expenditure would rise by about 5 per cent in real terms over the 5 years - probably less than the increase in GDP over the period, so that the ratio of expenditure to GDP would fall slightly. But there is no sign of a major structural change in the size of the public sector. The measures proposed could lead to a shift, but beyond this timescale, in Education (vouchers and loans), but not elsewhere.

*Does not
imply this
is in
my to
the
to see
TBE analysis of law sect. And even if it is, the act is need to be made much more.*

4. There is no attempt to tackle local authority current expenditure, and proposals on specific services like education would increase it. Privatisation (BA and B.F.L) will not reduce the financing requirements of the nationalised sector, which are increased by the needs of the nuclear programme. There is no reference to any reduction of the UK share of the EC budget.

5. The main increases come from Social Security (up to £3,300m pa: improved benefits and a new child benefit/FIS system); Employment, (£2000m pa for continued employment measures up to the end of the decade; £400m pa for Youth Training; and £100m pa for other schemes); Defence (running on the NATO 3 per cent commitment - £900 million pa by 1990); Education (£500 million pa on vouchers; £50 million pa on student loans, though this would turn round in the following decade); Law and Order (£200 million + pa) urban renewal (£200 million pa); industrial support (£300 million over the period, plus very large unquantified bids for fuel subsidies), and MAFF (£20 million a year, various). Of these, education, law and order, urban renewal and industry would tend to carry regional consequential not yet costed. There are (oddly) no quantified extra bids for health; most of Mr Fowler's proposals (like more contracting out) are aimed at economy, but the savings would be ploughed back.

6. Some returns are neutral in expenditure terms: notably FCC/CDA (with solemn earnings about the hard choices this will entail) and DTp.

7. It will be possible to make a ^{much} more thorough job of this analysis in about two months' time, when we have the 'Long Term Public Expenditure' and 'Manpower after 1984' returns, all due on 31 March. Meanwhile, this is the best we can do on the basis of the Ministerial reports, without talking further to departments.

1977-78 - 1980-81 SUMMARY

DI	Some receipts say £200m pa and nuclear programme	Manpower min+
ECGD		min - or privat-1800
DOI	£300m £ x fuel subs	some + s
DOT	neg+	neg+ & -
NI/Scot	neg	neg
Wales	"	"
DOE	£200m+pa URAs	
DEm	£200mpa Emp Mea £100m pa accrual other meas YTS £400-	
DTP	apparently neg	
HO&c	£225m	
DOE	£500 voucher £50 loan	
MOD	£900 pa final year (3%)	

?Privatisations sep list? BA BNFL

MAFF	marginal lands £15m pa glasshouse industry £5m pa	
DHSS	Cash benefits for disabled* £500m approx	?
	Flexible retirement age £500m approx	?
	Abolish Household Duties Test £275m (max)	+ neg

I 3
contd

Industrial Injury Scheme
£40m savings (longer term)

?

Computerisation £110m

+ some in medium
term

CB and FIS** £2 billion (approx) max

+ significant

National Health Service

Unquantifiable

*Not likely in the medium term

**Tentative



2 MARSHAM STREET
LONDON SW1P 3EB

CHEQUER

22 FEB 1983

Action

Mr. Kemp
CST, FSE, EST, MST (C), MST (R)
Sir J. Wass Sir A. Rawlinson

My ref:

Your ref:

Mr Bailey, Mr Wilding
Mr Howell, Mr Monger
Mr Pestell, Miss Kelley
Mr Mountfield, Mr Harris
Mr Ridley, Mr French

21ST February 1983

FORWARD LOOK

Thank you for copying to me your memorandum of 30 December. It brings out very clearly the difficult problems with which you are faced.

There is only one reference with which I would take issue; that is where you talk about a more equitable system for water charges. We have consistently turned our faces against equalisation, principally on the grounds that money transfers between authorities weaken cost discipline and financial accountability, but also because the degree of centralised direction over the industry that an effective system of equalisation would require smacks more of socialist policy than ours.

The message we are trying to get across to the water authorities is that greater productivity and cost cutting are the way to keep down charges. I know you share this view and are making strenuous efforts to make the Welsh WA more efficient. It would be a great pity if the expectation of outside financial support led the Authority to relax its efforts.

Section 30 of the Water Act 73, with its emphasis on cost related charges, has stood the test of time. The charges of other utilities are also cost related with regional differences for distance related tariffs, although the statutory requirements are not identical. It must surely be right to charge individual customers as closely as possible for the costs of the service they receive. I very much hope that on reflection you agree with this.

I am copying this to the recipients of yours.

TOM KING

DATE: 25 FEBRUARY 1983



CHANCELLOR OF THE EXCHEQUER ←

2a v.m.
1 qm with conclusion

DES FORWARD LOOK

You have seen Mr Mountfield's submission on the expenditure implications of the 'forward look' material our colleagues have been submitting to the Prime Minister. But since you expressed a particular interest at the time in Keith Joseph's contribution you might care to have a separate note on that.

2. It is largely in fact a restatement of existing policy and a reminder of work currently in hand, notably on wider parental choice, student loans and relations with local education authorities (colleagues have since given a qualified approval to his proposals for a new power to pay limited specific grants in aid of favoured policies).

3. The only new elements are as follows:-

- in an encouraging piece about his efforts to make the teaching force more effective, Sir Keith refers to a possible reform of the salary structure to give more incentive to quality. The aim is admirable, but we will need to be sure that restructuring can be accommodated within an acceptable ceiling on the total pay bill.
- there are signs that DES would like to make further concessions to the vocal continuing education lobby. This too wants watching.
- there are references to possible alternative patterns

of tuition fees for higher education. New thinking is certainly needed here; we want to open up the market. But we are not sure that DES are steering the debate into the right channels.

4. On the same general theme, you have seen Professor Ferns' ... recent memorandum. I attach an analysis by officials. In view of this I think we should not attempt to use it as any kind of blueprint, but the broad approach is surely right and we can draw on it when next talking to Keith about the prospects for higher education generally - as I aim to do before long.

J.A. Gieve

cc. PS/Financial Secretary
PS/Minister of State (C)
PS/Minister of State (R)
Sir Douglas Wass
Sir Anthony Rawlinson
Mr Wilding
Miss Kelley
Mr Kemp
Mr Mountfield
Mr Pestell
Mr Sargent
Mr Faulkner
Mr Ridley
Mr French
Mr Harris

J.L. LEON BRITTAN
25 February 1983

[Approved by the Chief Secretary]

FROM: MRS E THOMS
DATE: JANUARY 1983

MR FAULKNER

TOWARDS INDEPENDENT UNIVERSITIES
IEA OCCASIONAL PAPER

I agreed to provide an analysis of Professor H S Fern's' paper. As a starting point, I attach an annex covering his main points.

2. Briefly, Professor Ferns argues that the increasing dependence of universities on public money (particularly acute since the Robbins' expansion) has dulled their responsiveness to the market. The UGC has made the problem worse by prescribing too rigid controls. Now public money is being cut back, the existing framework of controls is, he says, too tight to allow universities to become (or to even think about becoming) once again market-oriented.

3. His solution is to cut university funding by 50 per cent in real terms over five years; to abolish the UGC; to give universities complete freedom to manage their assets and to set fees, salaries and curricula; and to set up a Royal Commission to find alternative sources of funds. Student loans would replace at least some of "lost" money. Patent fees and consultancies might help make some of the rest.

4. Professor Fern's historical perspective is an interesting one. He argues that in the past, the need for students to pay for courses out of their own pockets regulated both demand and quality. Admittedly, an Act of Parliament was needed in the 19th Century to sort out the affairs of Oxford and Cambridge, but this was aimed primarily at securing reform from within.

5. I have sympathy with his description of the haphazard way in which universities expanded in the 1960s. The idea that more of a commodity, be it higher education, scientific research or whatever, means that it will be better, still has currency. Increasing productivity and value for money is an uncomfortable alternative even in today's hard times and would probably have been seen as penny-pinching and politically unglamorous during the boom of the 1960s.

The paper recognises that the inevitable price of more government money was more government control, but in my view it lays too much blame at the door of the UGC. The paper's main example of destructive central control is the policy on overseas students fees. The arguments (which are not, in any case, quite accurate) should have been directed entirely at central government. The UGC did not support the policy. I think that the paper should also have noted the calibre and experience of the UGC members.

7. Nevertheless, his argument that taxpayers' money has insulated universities from the demands of ~~the~~ customers is compelling. What is less clear is that his package of recommendations would succeed in putting things right.

8. The paper suggests that universities are brimming with suppressed enthusiasm and a new sense of solidarity. Abolition of controls might encourage this to emerge, but it would also leave the remaining 50 per cent of taxpayers' money—and the quite legitimate interest of the public and industry in the quality and range of university courses - unprotected. For this reason, complete freedom looks unacceptable. Nevertheless, it is likely that it is the smaller, more dispensable controls which irritate the most. Perhaps it would be timely for the UGC and universities to get together to rout these out.

9. The paper also suggests that universities should sell their inventions and know-how. They are already free to do this, although arguably under the new regime, they would try that much harder. The experience of the National Research and Development Corporation indicates, however, that inventions are an unprofitable source of funds. There is no guarantee that money spent on working up an idea to make it marketable will yield a return. In fact, the odds are very much against it.

10. The paper is on much stronger ground in its consideration of loans. If students had to pay back some part of the costs of their degrees, they would be more likely to apply for courses which put them in the best position to do so. This would reintroduce the link between the universities and their "customers" and pave the way to a more flexible structure of fees which reflected the demands of the market.

11. But cutting expenditure so drastically in advance of planning how to replace it would put the quality and balance of universities at risk. Long term and/or less saleable activities, such as pure scientific research or arts courses, might be pushed out in favour of quick profits from more business school courses. To an extent, this would be right. Pushed to extreme, it would not be. Better perhaps, for universities to make coherent plans for a more commercial regime than to risk the system collapsing in the same haphazard way in which it grew.

W. E. Thomas,

MRS E THOMS

SUMMARY OF PROFESSOR FERNS' PAPER

1. Universities have lost sight of their major role as discoverers, developers and transmitters of information. Over the past 40 years, the market mechanism which linked student numbers to the demand for places has been abandoned and replaced by the policy of universities providing (and the taxpayer funding) places for all qualified young people. The time has come to radically re-examine the relationship between the universities and the state.

History

2. Traditionally, students paid to attend courses. Vocational training was very important and men attended in order to become priests, lawyers, doctors etc. In addition to fees, universities had other independent income from endowments. Yet independence did not make for excellence and in the 19th Century, Acts of Parliament were passed reforming the Oxford and Cambridge Universities and obliging them to spend their resources for more strictly-defined academic purposes.

3. Government began funding universities on a very small scale in the 18th Century, but no significant sums were provided until 1919 when the Lloyd George government introduced its policy of:

- Increased grants.
- A single advisory body (the UGC was founded in 1919).
- A method of distribution which safeguarded university autonomy.

4. The first annual grant made under this policy amounted to 29% of the revenue of the recipients. The percentage gradually increased up until World War II when it accelerated, reaching about 55% by the 1950s. Another sharp boost in support after the Robbins report took it up to about 70% of running costs and virtually all capital expenditure.

5. Up until the 1930s, the UGC was an ideal instrument. Its decisions were its own, leaving the Treasury with only one decision: how much grant to recommend to Parliament. British universities were performing well in both research and scholarship and student numbers, though growing, kept in line with the supply of able teachers.

What went wrong?

6. The Robbins expansion, coupled with the fashionable belief that more university education was a cure for the nation's ills, produced, in the 1960s, an abundance of public money for the universities. Inevitably the UGC role changed to that of Government agency and controlling bureaucracy. But the paper argues ^{that} their directives - which have become increasingly specific - are based on judgements of worth and need which have no objective reality and which have substituted rigidity for independence.

7. The paper cites as the most destructive example of centralised control the prescription of full cost fees for overseas students [the Government in fact prescribes minimum, not full cost, charges].

8. It argues that this policy forgets that universities have already paid for a substantial part of their fixed costs and that only individual institutions can determine what foreign students should be charged.

9. Rigid directives have made the universities rigid. They have too many second class people, but few sack anyone outright. Democratic consensus protects academic mediocrity.

Recommendations

10. The UGC should be abolished. It is unimaginative and too centralised for an area whose activities cannot be precisely

defined. Instead there should be an Act of Parliament to provide for:

- payment to each university direct;
- a cut of 5% per annum in total funding over the next 10 years;
- a Royal Commission to seek alternative methods of financing;
- universities to be treated as charities for endowment purposes.

In addition universities should be allowed to

- control assets;
- determine fees, salaries and terms of service;
- derive revenue from their innovations & expertise;
- determine curricula and standards (external examinations would, however, be strengthened).

11. Universities would have to increase fee income. Some might raise fees; others might prefer to enrol more students on courses with lower unit costs. Government - having decided what it was prepared to spend - could either fund all students in part, or the most able in full. Those receiving no grant or only a contribution would have to obtain loans for the remainder. But graduates earn on average much more than do people without degrees and buying educational opportunities would encourage students to value them more.

12. The paper speaks of the recent emergence of institutional solidarity, willingness to consider new ideas and to place survival above pay or promotion. Independence would help to bring this out in some universities although others might go under. Government should decide only what money it wants to spend on universities and not what it is spent on. Judgements about worth of activities can be determined "only by that part of society which freely chooses to use and support them".

FROM: JOHN GIEVE

DATE: 28 FEBRUARY 1983



cc. ~~Principal Private Secretary~~
Mr Mountfield

MR RIDLEY

Handwritten initials, possibly "JP", enclosed in a circle.

FORWARD LOOK

Thank you for sending me a copy of Mr Mountfield's note on the Forward Look. I showed this to the Chief Secretary. He commented "We should certainly light up a strong red light as soon as possible".

JG

JOHN GIEVE
28 February 1983

JSL
No 10 have been pressing
for dep for x

CONFIDENTIAL

FROM: ADAM RIDLEY
2 March 1983

D.12

I'm sure Mrs is right.

CHANCELLOR

cc CST
Sir A Rawlinso
Mr Mountfield
Mr Kemp

FORWARD LOOK: REPORT TO NO 10

Unfortunately this morning's prayer meeting ended before the Chief Secretary and I had time to raise with you the question of whether and if so how we should now report to No 10 on our researches into the "Forward Look" material submitted by Departments. I have spoken about this to Mr Gieve at some length, and in the light of that would suggest the following:

- ✓ (a) It would be sensible and useful to write now to
 × No 10 about the public expenditure analysis; but it is much less obvious that there is any advantage in bothering the Prime Minister with the rather more diffuse (if thought-provoking) conclusions of the separate analysis of gaps and overlaps undertaken by Mr Kemp.
- ✓ (b) If so, the best thing would probably be to essay a modest redraft of Mr Mountfield's short paper and table, and to dispatch it to the PM within the next few days.
- ✓ (c) It would probably be better if any covering letter came from you rather than the Chief Secretary.

2. If you agree with this suggestion, any redraft your office commissions should not take long to prepare, since Mr Mountfield's piece deals with more or less everything which needs saying at this stage.

M

A N RIDLEY

CONFIDENTIAL



FROM: MISS M O'MARA
DATE: 2 March 1983

PS/CHIEF SECRETARY

cc: PS/Financial Secretary
PS/Minister of State (C)
PS/Minister of State (R)
Sir Douglas Wass
Sir Anthony Rawlinson
Mr Wilding
Miss Kelley
Mr Kemp
Mr Mountfield
Mr Pestell
Mr Sargent
Mr Faulkner
Mr Ridley
Mr French
Mr Harris

DES FORWARD LOOK

The Chancellor was grateful for the Chief Secretary's minute of 25 February and agrees with the conclusion he draws.

MSM

MISS M O'MARA

CONFIDENTIAL



FROM: J O KERR
DATE: 4 March 1983

(Pup)

cc Sir A Rawlinson
Mr Mountfield
Mr Kemp
Mr Ridley

PS/CHIEF SECRETARY

FORWARD LOOK: REPORT TO NO.10

The Chancellor has seen Mr Ridley's minute of 2 March, and agrees that we should, without further delay, send No.10 our costing and public expenditure analysis of the Departmental "Forward Look" papers. I should be grateful if you could let me have a version of Mr Mountfield's paper with which the Chief Secretary would be content.

A handwritten signature in black ink, appearing to be 'J O Kerr'.

J O KERR

CONFIDENTIAL

FROM: JOHN GIEVE

DATE: 8 MARCH 1983



(Handwritten initials in a circle)

MR MOUNTFIELD

cc. Principal Private Secretary
Sir A Rawlinson
Mr Kemp
Mr Ridley

FORWARD LOOK : REPORT TO NO.10

You received a copy of Mr Kerr's minute of 4 March. The Chief Secretary would be grateful for a revised draft of your paper of the expenditure consequences of the ^(departments) papers which he could pass on to the Chancellor.

JG

JOHN GIEVE
8 March 1983

CONFIDENTIAL

CONFIDENTIAL

From: P Mountfield
Date: 10 March 1983

PS/CHIEF SECRETARY

CC -

PS/CHANCELLOR
SIR ANTHONY RAWLINSON
MR WILDING
MR RIDLEY
MR KEMP
MR HART

PUBLIC EXPENDITURE ASPECTS OF THE FORWARD LOOK

You and Mr Kerr have asked me to update the very quick summary report which I prepared for Mr Ridley last month, so that you could send it to No.10.

- 2. I have rechecked the note and the figures, and attach a revised version. The general picture remains the same. But I draw attention to the final paragraph. I suspect that the work on the 'forward look' was largely done in Private Offices and by political advisers in Departments. The results may differ quite considerably from the LTPE returns. They should therefore be treated with considerable caution at this stage. The main message for No 10 is that Ministers are not contemplating any major reductions in expenditure: quite the reverse.

R₁

P Mountfield

*R. type with
insertion from
Mansfield of 14/3*

10.7

FORWARD LOOK: PUBLIC EXPENDITURE

This report is based on the Ministerial replies, analysed by divisions without discussion with Departments. The new initiatives proposed seem to involve about £6 billion per annum extra expenditure (in today's prices) by the end of the decade. It is difficult to add it up properly as many of the bids are unquantified. There are few offsetting savings: some unquantified windfall receipts from sales of assets, and some administrative savings from computerisation or privatisation. But overall, manpower requirements would increase.

2. The most striking feature is the lack of any major proposal which would actually reduce expenditure.
3. On these figures, expenditure would rise by about 5 per cent in real terms over the 5 years - probably less than the increase in GDP over the period, so that the ratio of expenditure to GDP would fall slightly. But there is no sign of a major structural change in the size of the public sector. The measures proposed could lead to a shift, but beyond this timescale, in Education (vouchers and loans), but not elsewhere.
4. There is no attempt to tackle local authority current expenditure, and proposals on specific services like education would increase it. Privatisation will have only a small impact on the overall financing requirements of the nationalised sector. This depends far more on Government policies towards railways and coal since these industries currently absorb most of the finance going into this sector. There is no reference to any reduction of the UK share of the EC budget.
5. The main increases come from Social Security (up to £3,400m pa: improved benefits and a new child benefit/FIS system); Employment (£200m pa for continued employment measures up to the end of the decade; £400m pa for Youth Training; and £100m-£900m pa on the Job Release Scheme); Defence (running on the NATO 3 per cent commitment - £900 m pa by 1987-88); Education (£500 m pa on vouchers; £50 m pa on student loans, though this would turn round in the following decade); Law and Order (£80 m pa) urban renewal (£200 m pa); industrial support (about £60 m pa, plus very large unquantified bids for fuel subsidies), and MAFF (£20 m pa various). Of these, education, law and order, urban renewal and industry would tend to carry regional consequentials not yet costed. There are (oddly) no quantified extra bids for health; most of Mr Fowler's proposals (like more contracting out) are aimed at economy; but the savings would be ploughed back.
6. Some returns are neutral in expenditure terms: notably FCO/ODA (with warnings about the hard choices this will entail) and DTP.

7. It will be possible to make a much more thorough job of this analysis in about a month's time, when we have the 'Long Term Public Expenditure' and 'Manpower after 1984' returns, all due on 31 March. There may be considerable inconsistencies between the 'Forward Look' proposals, which were prepared in a very restricted circle in departments, and the more detailed ltpc returns. (For example the DOI ltpc report has just come in and shows modest reductions in industrial support over this period; the 'Forward Look' shows increases of £60m pa). Meanwhile, this is the best we can do on the basis of the Ministerial reports, without talking further to Departments.

PUBLIC EXPENDITURE SUMMARY

<u>Dept</u>	<u>Public Expenditure Cost</u>	<u>Manpower Cost</u>
DEn	Some receipts, say £200m pa, plus increases on nuclear programme	Minimum
ECGD	None	minimum, or if public corporation status -1800 approx from CS staff count.
DOT	negligible	negligible
DOI	£60 m pa plus fuel subsidies	some
DOE	£200 m (plus) pa on Urban Renewal Agencies	-
N. Ireland/ Scotland	negligible+++	negligible
Wales	negligible+++	negligible
DEm	£100 m pa on Job Release Scheme* £140 m pa on Enterprise Allowance £50 m pa on Job-Splitting Scheme £400 m pa on Youth Training Scheme	- - - -
DTp	apparently negligible	-
HO and LCD	£80 m pa	some
DES	£500 m pa on school vouchers £50 m pa on student loans	? negligible
MOD	Perpetuate 3% pa real growth after 1985-86 (eg £500 m in 86-87, £900 m in 87-88)	-
MAFF	marginal lands £15 m pa glasshouse industry £5m pa	- -
DHSS	Cash benefits for disabled** £500 m pa approx	?
	Flexible retirement age £500 m pa approx	?
	Abolish Household Duties Test £275 m pa (max)	negligible
	Industrial Injury Scheme £40 m savings (longer term)	?
	Computerisation £110 m pa	some addition in medium term
	CB and FIS [♠] £2 billion (approx) pa	significant additions
	National Health Service	Unquantifiable
TOTAL	5,200 m - 5,900 m (approx)	

* Rising to £900 million by end of decade

**Not likely in medium term

[♠]Tentative

+++ No allowance for carry-through of English policies.

FROM: JOHN GIEVE

DATE: 11 MARCH 1983



~~PRINCIPAL PRIVATE SECRETARY~~

cc. Sir A Rawlinson
Mr Wilding
Mr Mountfield
Mr Kemp
Mr Hart
Mr Ridley

PUBLIC EXPENDITURE ASPECTS OF THE FORWARD LOOK

The Chief Secretary has approved the note attached to Mr Mountfield's minute of 10 March. If he is content also, the Chancellor will want to send it now to the Prime Minister.

JG

JOHN GIEVE
11 March 1983

CONFIDENTIAL

E.12 (LTPE)

FROM: ADAM RIDLEY
11 March 1983

CHANCELLOR

Not

*Pl. get PM
to deal with this*

cc CST
Sir A Rawlinson
Mr Wilding
Mr Kemp
Mr Mountfield
Mr Hart

PUBLIC SPENDING ASPECTS OF THE FORWARD LOOK:
DRAFT LETTER TO THE PM

I have one comment on the draft submitted to the Chief Secretary by Mr Mountfield under cover of his minute of March 10. It raises an issue which I have put to Mr Mountfield before, ^{and} which he may have good reasons for not dealing with explicitly in the text. It is as follows:

2. This report will inevitably raise in the PM's mind the question of how the findings of the Forward Look exercise relate to the projections offered by the Treasury for the LTPE Cabinet last autumn. Paragraph 3 of the present draft explains that, on the basis of the Forward Look figures, expenditure would rise by about 5% over the five year period. She may well ask herself how that relates to the "baseline" rate of growth suggested in the LTPE. As I understand it the policies costed in the present exercise should all be over and above present policies, and therefore to a considerable extent (and perhaps completely) over and above anything in the LTPE base. The second half of the same sentence also suggests that that rate of growth will be "probably less than the increase in GDP over the period". The LTPE exercise hinged in an important way on assumed GDP growth rates. The PM may wish to know not only what increase in GDP is being described now as likely over the period, but also to recall what GDP growth rates were assumed last autumn.

AR

A N RIDLEY

ED

From: P Mountfield
Date: 14 March 1983

12/2 PS/Chancellor



cc
PS/Chief Secretary
Sir A Rawlinson 120/2
Mr Wilding
Mr Ridley
Mr Hart

FORWARD LOOK: PUBLIC EXPENDITURE

You asked me for an addition to my note of 10 March, which would make the additional point suggested by Mr Ridley in his minute of 11 March. I suggest an insertion in para 3 as follows:

'This rate of growth is faster than was feared when the first report on Long Term Public Expenditure went to the Prime Minister last summer. (It is not easy to say just how much faster, because the Ministerial replies are not detailed enough. But it seems that most of the 5 per cent comes from new developments not catered for in the LTPE, which was essentially a projection of current policies). The Prime Minister will remember that the LTPE report was already very alarming. It showed public expenditure rising from 44% of GDP in 1982-88 to 47% in 1990-91 on the low-growth scenario (roughly, the economy's growth rate of the last 8 years) and falling only to 39.9% in 1990-91 on the high growth scenario (roughly equal to our best post-war performance). These forward-look projections would add another one or two percentage points to the ratio in the low-growth case further compounding the problems of reducing taxation and borrowing. In the high-growth case, expenditure would just about keep pace with the increase in GDP, keeping the ratio roughly constant.'

I hope this will do.

P Mountfield

SECRET



FROM: JOHN GIEVE
DATE: 14 March 1983

PS/CHANCELLOR

cc Sir A Rawlinson
Mr Wilding
Mr Mountfield
Mr Ridley
Mr Hart

FORWARD LOOK: PUBLIC EXPENDITURE

The Chief Secretary has seen Mr Mountfield's minute of 14 March.
He is content with the proposed insertion.

C
The note still isn't very
impressive but has been cleared
by the CST. I've played around
with the drafting a bit. No 10
have been pressing us for a note
for weeks. Are you prepared
for it to go in this form?

MOM

16/3

JG

JOHN GIEVE

Yes - hints made -
that now from us,
making the £ 9 point
& the flavor of the
last 2 or 3 sentences
APM at 10.3

SECRET



cc Sir A Rawlinson
Mr Wilding
Mr Mountfield
Mr Ridley
Mr Hart
Mr Gieve

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

17 March 1983

Handwritten initials, possibly 'MMP' or similar, in a cursive script.

Michael Scholar Esq.
10 Downing Street
LONDON
SW1

Dear Michael,

FORWARD LOOK: PUBLIC EXPENDITURE

I enclose, as promised, a note which has been prepared by officials here costing the Ministerial contributions to the Forward Look exercise.

Given the nature of the responses, this has to be an interim assessment. As you will see, we hope to provide you with a much more thorough analysis in a few weeks' time when we have Departments' "Long Term Public Expenditure" and "Manpower after 1984" returns. Nevertheless, the main message seems pretty clear. Under the proposals we have seen, expenditure would rise by about 5 per cent in real terms over the 5 year period. This would, of course, compound the problems of reducing taxation and borrowing identified in the Long Term Public Expenditure report last summer.

Yours sincerely,
Margaret O'Mara

MISS M O'MARA
Private Secretary



FORWARD LOOK: PUBLIC EXPENDITURE

This Report is based on Ministerial replies, analysed by Treasury Divisions without discussion with Departments. The new initiatives proposed seem to involve about £6 billion per annum extra expenditure (in today's prices) by the end of the decade. However, it is difficult to produce a proper estimate of the total, as many of the bids are unquantified. There are few offsetting savings. There are some unquantified windfall receipts from sales of assets and some administrative savings from computerisation or privatisation. But overall, manpower requirements would increase.

2. The most striking feature is the lack of any major proposal which would actually reduce expenditure.

3. On these figures, expenditure would rise by about 5 per cent in real terms over the 5 years. This figure is probably lower than the increase in GDP over the period, so that the ratio of expenditure to GDP would fall slightly. But there is no sign of a major structural change in the size of the public sector. In Education, the measures proposed (vouchers and loans) could lead to a shift, but not elsewhere. Even in Education, the shift would not occur within 5 years.

4. This 5 per cent rate of growth is faster than was feared when the first report on Long Term Public Expenditure (LTPE) went to the Prime Minister last summer. The Ministerial replies are not detailed enough to indicate exactly how much faster programmes would be increasing. But it should be noted that the LTPE was essentially a projection of current policies which did not cater for the new developments now put forward.



5. The Prime Minister will remember that the LTPE report itself gave cause for alarm. On the low-growth scenario (roughly projecting forward the economy's growth rate of the last 8 years), the report showed public expenditure rising from 44 per cent of GDP in 1982-88 to 47 per cent in 1990-91. On the high growth scenario (roughly equal to our best post-war performance), public expenditure fell to only 39.9 per cent of GDP in 1990-91. The latest Forward Look projections would add another one or two percentage points to the ratio in the low-growth case, further compounding the problems of reducing taxation and borrowing. In the high-growth case, expenditure would just about keep pace with the increase in GDP, maintaining a roughly constant ratio.

6. The forward looks make no attempt to tackle local authority current expenditure and proposals on specific services like education would increase it. Privatisation will have only a small impact on the overall financing requirements of the nationalised sector. They depend far more on Government policies towards railways and coal, since these industries currently absorb most of the finance going into this sector. There is no reference to any reduction of the UK share of the EC budget. The main increases come from:-

Social Security	-	Up to £3,400 million pa. Improved benefits and a new child benefit/FIS system.
Employment	-	£200 million pa for continued employment measures up to the end of the decade.
	-	£400 million pa for Youth Training.
	-	£100 million-£900 million pa on the Job Release Scheme.
Defence	-	£900 million pa by 1987-88 for running on the NATO 3 per cent commitment.

SECRET



- | | |
|--------------------|---|
| Education | - £500 million pa on vouchers. |
| | - £50 million pa on student loans (though this would turn round in the following decade). |
| Law and Order | - £80 million pa. |
| Urban Renewal | - £200 million pa. |
| Industrial Support | - About £60 million pa, plus very large unquantified bids for fuel subsidies. |
| MAFF | - £20 million pa on various items. |

Of these, Education, Law and Order, Urban Renewal and Industrial Support would tend to carry regional consequentials which have not yet been costed.

7. There are (oddly) no quantified extra bids for Health. Most of Mr Fowler's proposals (like more contracting-out) are aimed at economy but the savings would be ploughed back.

8. Some returns are neutral in expenditure terms, notably those for the FCO/ODA (with warnings about the hard choices this would entail) and those for the Department of Transport.

9. This has, of necessity, to be an interim assessment. It will be possible to make a much more thorough analysis in about a month's time, once the "Long Term Public Expenditure" and "Manpower After 1984" returns, due on 31 March, have been submitted. There may, of course, be considerable inconsistencies between the "Forward Look" proposals, which were prepared in a very restricted circle in Departments, and the more detailed LTPE returns.

SECRET

PUBLIC EXPENDITURE SUMMARY

<u>Dept</u>	<u>Public Expenditure Cost</u>	<u>Manpower Cost</u>
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DOT	negligible	negligible
DOI	£60 m pa plus fuel subsidies	some
DOE	£200 m (plus) pa on Urban Renewal Agencies	-
N. Ireland/ Scotland	negligible+++	negligible
Wales	negligible+++	negligible
DEm	£100 m pa on Job Release Scheme*	-
	£140 m pa on Enterprise Allowance	-
	£50 m pa on Job-Splitting Scheme	-
	£400 m pa on Youth Training Scheme	-
DTp	apparently negligible	-
HO and LCD	£80 m pa	some
DES	£500 m pa on school vouchers	?
	£50 m pa on student loans	negligible
MOD	Perpetuate 3% pa real growth after 1985-86 (eg £500 m in 86-87, £900 m in 87-88)	-
MAFF	marginal lands £15 m pa	-
	glasshouse industry £5m pa	-
DHSS	Cash benefits for disabled**	?
	£500 m pa approx	?
	Flexible retirement age	?
	£500 m pa approx	?
	Abolish Household Duties Test	negligible
	£275 m pa (max)	
	Industrial Injury Scheme	?
	£40 m savings (longer term)	
	Computerisation £110 m pa	some addition in medium term
	CB and FIS ^φ £2 billion (approx) pa	significant additions
	National Health Service	Unquantifiable
TOTAL	5,200 m - 5,900 m (approx)	

* Rising to £900 million by end of decade

**Not likely in medium term

^φTentative

+++ No allowance for carry-through of English policies.



blf 29/3 pt

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01- 233 7029

17 March 1983

Mr Le Cheminant,
 Mr Cassell,
 Mr Bailey,
 Mr Unwin,
 Mr Wilding,
 PS/IR
 PS/CAE
 PS/DNS

CHEQUER
 17 MAR 1983

Mr Kemp 17.3
 CST, FST, EST,
 MSTC, MSTR,
 Sir A Wass,
 Sir A Rawlinson,
 Mr Burns,
 Mr Littler,
 Mr Tranter,

Dear Private Secretary

FORWARD LOOK

I should be grateful if you could let us have details of business likely to come forward between Easter and the end of July.

As before, the return should include both Economic and Home and Social Affairs business. It should cover not only the Cabinet but also E, EX and H Committees; E(EA), E(DL), E(NI), E(PSP), E(PU), E(TP) and E(LF) Sub-Committees; and also MISC 14.

For each item, we should like to know -

- i. Brief title, with a few words to indicate the main issues;
- ii. Relevant Committee or Sub-Committee (or Cabinet);
- iii. When it will come forward;
- iv. Other Departments having a major interest, especially for joint papers;
- v. Reference to previous Committee or Cabinet discussion, where appropriate;
- vi. Any special considerations affecting timing or other relevant information.

It would be helpful if the return were, as usual, to include only those items likely to require collective discussion during the period in question: items which can be cleared in correspondence or which are unlikely to materialise should not be included.

Please send a copy of your reply separately to David Hilary here. Replies should reach us by noon on Thursday 31 March at the latest. If your Department does not expect to have any business, please send a nil return.

Yours sincerely

M S BUCKLEY

The Private Secretary

Private Secretaries to -

Secretary of State for the Home Department (copy)
Lord Chancellor
Chancellor of the Exchequer
Secretary of State for Foreign and Commonwealth Affairs
Secretary of State for Education and Science
Secretary of State for Northern Ireland
Secretary of State for Defence
Minister of Agriculture, Fisheries and Food
Secretary of State for the Environment (copy)
Secretary of State for Scotland
Secretary of State for Wales
Secretary of State for Industry
Lord President of the Council
Secretary of State for Transport
Secretary of State for Social Services
Lord Privy Seal
Secretary of State for Energy
Secretary of State for Employment
Secretary of State for Trade
Attorney General
Lord Advocate
Permanent Under-Secretary of State, Home Office
Permanent Secretary, Department of the Environment

CONFIDENTIAL

FROM: P J EDWARDS
 DATE: 18 MARCH 1983



UNDER SECRETARIES
 MR TRAYNOR
 MR ST CLAIR
 MR D WILLIAMS
 PS/CUSTOMS & EXCISE
 PS/INLAND REVENUE
 PS/DNS

cc Miss O'Mara ✓
 Mr Springthorpe
 Mr Salveson
 Mr Norgrove
 Mr Corcoran

CABINET OFFICE "FORWARD LOOK"

We have received a copy of the Cabinet Office minute dated 17 March 1983 commissioning the routine "Forward Look" exercise to determine what issues we foresee going to Cabinet, E, EX and H Committees; E(DL), E(NI), E(PSP), E(PU), E(TP) and E(LF) Sub-Committees; and also MISC 14 for the period between Easter and the end of July.

2. Would all Divisions please supply the following information in their returns:
 - i. Brief title and description in a few words of the main issues.
 - ii. Relevant Committee (or Cabinet).
 - iii. When it will come forward.
 - iv. Other departments having a major interest, especially for joint papers.
 - v. Reference to previous Committee or Cabinet discussion, if appropriate.
 - vi. Any special considerations affecting timing or other relevant information.

3. Would Divisions please ensure that only business which is likely to require collective discussion during the period specified is included. All matters which are expected to be cleared up by correspondence or which only have a slight chance of being brought forward during this period, need not be mentioned. Divisions should endeavour to be as realistic as possible in forecasting the timing of items.

4. I should be grateful if contributions (including nil returns) could reach me by close on Friday 25 March at the latest.

P J Edwards
 P J EDWARDS



(PWP)

SECRETARY
21 MAR 1983
Mr Hart

10 DOWNING STREET

CPT,
Sir A Rawlinson
21 March 1983
Mr Widdow
Mr Mountfield
Mr Ridley

From the Principal Private Secretary

RESTRICTED

Dear Margaret,

FORWARD LOOK : PUBLIC
EXPENDITURE

Thank you for your letter of 17 March, covering a note by officials costing the Ministerial contributions to the Forward Look exercise.

The Prime Minister has seen this note, and finds it useful. I have arranged for it to be sent to Mr Cropper on the same basis as previous papers in the series.

Yours ever,

Robin Butler

Miss Margaret O'Mara,
HM Treasury.

CONFIDENTIAL

FROM: F K JONES

DATE: 28 March 1983

MR P J EDWARDS

cc Miss Kelley (o/r)
Mr Norgrove
Miss O'Mara
Mr P Russell
Mr Corcoran
Mr Salveson
Mr Springthorpe

CABINET OFFICE "FORWARD LOOK"

In Miss Kelley's absence on leave, I am responding for HE1 to your minute of 18 March. Like, I imagine, most expenditure divisions, we can foresee a number of items that come within the terms that you have described. In the case of some of them we will bear some responsibility for their coming to collective discussions. But they will do so in each case in the form of a paper from the spending departments.

2. Examples in the period immediately ahead come mainly on the administration of justice side. They include law centres (financial provision and location of Ministerial responsibility); conciliation (in association with divorce proceedings); the future of the conveyancing monopoly; legal services generally; and interim payments of civil legal aid (a possible further scheme). On the transport side, Mr Howell is likely to seek E's agreement to proceeding with the scheme for building roads with privately raised finance.

3. On the supposition that you are looking for subjects in which the Treasury will be in the lead, this is a nil return. We can, of course, provide further information on the items mentioned if it is needed. But if it is not, perhaps that could be mentioned next time.

KJ

F K JONES

CONFIDENTIAL

COVERING CONFIDENTIAL

FROM: P J EDWARDS
DATE: 29 MARCH 1983

PS/CHANCELLOR (MISS O'MARA)

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
PS/Minister of State (C)
PS/Minister of State (R)
Sir Douglas Wass
Sir Anthony Rawlinson
Mr Burns
Mr Littler
Under Secretaries
Mr Traynor
Mr St Clair
Mr D M Williams
Mr Norgrove
Mr Corcoran

PS/Customs & Excise
PS/Inland Revenue
PS/DNS

CABINET OFFICE "FORWARD LOOK"

In his letter of 17 March, Mr Buckley of the Cabinet Office asked for details of Business likely to come forward between Easter and the end of July.

2. This return also covers the Overseas Side of the Treasury, but you will see that mainly domestic issues are going to Cabinet in this period.

3. I attach a draft reply.



P J EDWARDS

CONFIDENTIAL

cc: PS/CST
 PS/FST
 PS/EST
 PS/MST(C)
 PS/MST(R)
 Sir D Wass
 Sir A Rawlinson
 Mr Burns
 Mr Littler
 USs
 Mr Traynor
 Mr St Clair
 Mr D M Williams
 Mr Norgrove
 Mr Corcoran
 PS/C&E
 PS/IR
 PS/DNS
 Mr Edwards



Treasury Chambers, Parliament Street, SW1P 3AG
 01-233 3000

30 March 1983

D H J Hilary Esq
 Cabinet Office
 70 Whitehall
 LONDON SW1A 2AS

Dear David,

CABINET OFFICE "FORWARD LOOK"

Mr Buckley's letter of 17 March 1983 asked for a list of issues likely to go forward to Cabinet, and its Economic and Social Affairs Committees and Sub-Committees. I attach a copy of our return, as requested, covering the period from Easter to the end of July 1983.

There are two issues, not mentioned in the return, which you may care to note. The first is pay. MISC 66 is dealing with the pay negotiations for the non-industrial Civil Service and MISC 83 with negotiations on Megaw. In each case, it is too early to say whether there will be a need for a reference to Cabinet or to E. The same goes for the pay negotiations for the industrial Civil Service, which have yet to begin. Then there is the TSRB which will be reporting, separately, on Ministers and MPs at the end of April and on other Groups during April. The Prime Minister will no doubt have views on how she wishes these reports to be handled.

E(NI) are due to discuss Electricity (England and Wales) and the Scottish Electricity Boards in April. We are not in the lead in either matter; but we have a strong interest and believe that both should be considered at the same meeting.

Yours sincerely,

Judith Simpson

MISS J C SIMPSON
 Private Secretary

think simpler.

*Mrs Hedley-Miller
 Done! B 6/4*

a history casually. I did speak

before and then omitted to confirm that

on p 3 of the attachment (my numbering) we should I

think have said, in respect of the Community Budget,

"Cabinet or OD". (Could this possibly be rephrased please?)

MW 6/4

22/3

CONFIDENTIAL

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6

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CONFIDENTIAL

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Vertical text or markings on the right side of the page.

*Think Add to
My date p. 100
M.*

FROM : P E MIDDLETON

DATE : 17 June 1983

CHANCELLOR

KEY AREAS

1. Redefinition of the strategy - and keeping to it
 - clarify the role and operation of monetary and fiscal policy within the MTFs;
 - includes the role of exchange rate policy and EMS.

2. Redefinition of policy to state industry
 - pricing policy and return on capital;
 - efficiency by privatisation - some mammoth issues in establishing a programme for a parliament;
 - efficiency by other means in the rump.

3. Improve the tax/benefit structure, to improve
 - profitability and liquidity in industry
 - the balance between in work and out of work income;
 - the balance between taxes on labour and on capital;
 - the balance between different forms of saving.

4. Stimulate attempts to make the labour market more efficient
 - even though primary responsibility with others;
 - union legislation;
 - houses;
 - pensions and mobility - on which we have a direct role.

5. Definitive resolution of the Community Budget problem
 - satisfactory new budget requirements are essential first step to rebuilding the financial and economic side of the EEC, and to developing an easier relationship with Europe both in public and private.

It goes without saying that none of these areas offer much prospect of success if you fail to keep the growth of public expenditure well below the growth of GDP - and if we fail to establish an effective cash monitoring system. Though this is primarily for the Chief Secretary, your own energies at key moments can be crucial.

If I was to add a 6th item, it would be keeping a close eye on the international debt problem and our national and international effort to keeping it within bounds. But this is not, I hope, in quite the same category as the other five.

J Williams
for P E MIDDLETON

FROM : P E MIDDLETON

DATE : 17 June 1983

15 points
CHANCELLOR

File

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J Williams
for P E MIDDLETON

b/f 7/9 p.



M.O.M

RECEIVED	15 JUL 1983
Mr Battisford, 18.7	
CST, FST, EST, MST,	
Mr Middleton,	

CABINET OFFICE

70 Whitehall, London SW1A 2AS Telephone 01-233 7665

Mr Bailey,

Sir T. Burns, Mr Little,
All Under-Secretaries,
15 July 1983

Mr Traynor, Mr St. Clair,

Mr D M Williams,

Mr Norgrove, Mr Gunn,
PS/CYE, PS/IR, PS/DNS, Mr Edwards.

Dear Private Secretary

FORWARD LOOK

I should be grateful if you could let us have details of business likely to come forward in the period from September to Christmas.

As before, the return should include both Economic and Home and Social Affairs business. It should cover not only the Cabinet but also ES, EX, and H Committees; E(A), E(DL), E(LA), E(LF), E(NI), and E(PSP) Sub-Committees and also MISC 83 and MISC 95.

For each item, we should like to know -

- i. Brief title, with a few words to indicate the main issues;
- ii. Relevant Committee or Sub-Committee (or Cabinet);
- iii. When it will come forward;
- iv. Other Departments having a major interest, especially for joint papers;
- v. Reference to previous Committee or Cabinet discussion, where appropriate;
- vi. Any special considerations affecting timing or other relevant information.

It would be helpful if the return were, as usual, to include only those items likely to require collective discussion during the period in question: items which can be cleared in correspondence or which are unlikely to materialise should not be included.

Please send a copy of your reply separately to Michael Buckley here. Replies should reach us by close of play on Friday 9 September at the latest. If your Department does not expect to have any business, please send a nil return.

Yours sincerely

JANET A LEWIS-JONES

Private Secretaries to -

Lord President of the Council (copy)

Lord Chancellor

Secretary of State for Foreign and Commonwealth Affairs

Secretary of State for the Home Department

Chancellor of the Exchequer

Secretary of State for Education and Science

Secretary of State for Northern Ireland

Secretary of State for Energy

Secretary of State for Defence

Secretary of State for Scotland

Secretary of State for Wales

Secretary of State for the Environment

Lord Privy Seal

Secretary of State for Social Services

Secretary of State for Employment

Secretary of State for Trade and Industry

Secretary of State for Transport

Minister of Agriculture, Fisheries and Food

Attorney General

Lord Advocate

Permanent Secretary, Home Office

Permanent Secretary, Department of the Environment

CONFIDENTIAL

FROM: MRS R M DUNN

DATE: 22 JULY 1983

1. MR BATTISHILL
 2. CHANCELLOR OF THE EXCHEQUER

cc Chief Secretary
 Financial Secretary
 Economic Secretary
 Minister of State
 Mr Middleton
 Sir Terence Burns
 Mr Littler
 Mr Bailey
 Mr Kemp
 Mr Byatt
 Mr Anson
 Mr Cassell
 Mr Unwin
 Mr Wilding
 Under Secretaries
 Mr R I G Allen
 Mr Norgrove
 Mr Ridley
 Mr R A L Lord
 Dr L M Rouse
 Sir L Airey - IR
 Mr Fraser - C&E

STOCKTAKING NOTE: MATTERS FOR MINISTERIAL ATTENTION

Twice a year Central Unit, with the help of divisions, compiles a list of the more important matters likely to receive Ministerial attention over the next six months or so. I attach such a list at Annex A, setting out matters likely to receive attention between now and Christmas. I am grateful to Mr Edwards for his help in compiling it.

2. This note succeeds the one submitted by Mr Fray on 22 December 1982. Annex B records items from the December note where action has since been completed.
3. Customs and Excise and Inland Revenue normally submit their own lists; you have already received these.
4. The list below does not aim to be exhaustively comprehensive. Because it is long, Divisions have only submitted the items which are certain or reasonably certain to require the attention of Treasury Ministers during the period. It also includes however major items which Divisions have on hand even if they are unlikely to come forward before the Christmas Recess.

5. Where possible, the note shows when an item will be brought forward for Ministerial consideration and whether a meeting will be required, or simply a submission. Divisions have tried to be as firm as possible with their dates, but it may not prove possible to adhere strictly to the timings. Despite this, the list should provide reasonable guidance about when issues are likely to arise and how they will be tackled.

6. For ease of reference, the main list at Annex A is prefaced by a page index to main subject headings.

7. It would be helpful if Divisions could retain their copy of this note for reference when the next note is compiled.

Ros Dunn

MRS R M DUNN

CONFIDENTIAL**STOCKTAKING NOTE INDEX**

	Page No
1. GENERAL	1
2. MACRO-ECONOMIC POLICY	1
3. FINANCE	2
4. COINAGE	2
5. TAX	3
6. PUBLIC EXPENDITURE	3
7. ARTS & HERITAGE	4
8. DEFENCE	5
9. EDUCATION & SCIENCE	6
10. LOCAL GOVERNMENT	8
11. HEALTH & SOCIAL SECURITY	9
12. TRANSPORT	11
13. N.INDUSTRIES AND PRIVATISATION	12
14. ENERGY	14
15. INDUSTRY	16
16. PAY	16
17. CIVIL SERVICE PAY AND MANPOWER	17
18. CCTA/TECHNOLOGY	19
19. HOME AFFAIRS	19
20. EUROPEAN ISSUES	19
21. INTERNATIONAL	20

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTS DEPTS
1. <u>GENERAL</u>				
(i) TCSC	Committee not yet reconstituted but will be in Autumn. Not yet known what areas of interest and examination will be.	Submissions as necessary.	Chancellor Mr Battishill	Depends on enquiry.
(ii) Procedure Committee	Report published in May. Considering Govt's response to recommendations on control of borrowing, public expenditure, budgetary reform, control of long term expenditure projects, provision of financial information and the contingencies fund. Response when House returns in Autumn.	Submission on response as necessary. Initial paper to Ministers before Recess.	Chancellor Mr Battishill and others	IR, C&E, Bank Cabinet Off. All on public expenditure
2. <u>MACRO-ECONOMIC ISSUES</u>				
(i) Autumn forecast	Main report to be submitted in October.	Ministers to consider report as part of material for autumn decisions on public expenditure and other decisions needed for Autumn Statement.	Chancellor Mr Evans	Revenue Depts Bank
(ii) Industry Act Forecast in Autumn Statement*	Draft to come forward in October*	Ministers to consider substance and presentation in October*	Chancellor Mr Evans	
(* Timing dependent on date of Autumn Statement)				

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTS PTS
(iii) Towards the Budget	Preliminary work on lead-in to Autumn Statement and Budget including first thoughts on MTFs for 1984. Macro-economic Cabinet on 27 October.	Submissions as necessary	Chancellor and other Ministers Mr Battishill and others	Revenue Dept Bank
3. FINANCE				
(i) Legislation to complete Trustee Savings Banks transition to private sector.	Discussions continuing with TSBs.	Submissions as issues for decisions evolve. No legislation in 1983-84.	Economic Secretary Mr Monck	Bank
(ii) Building societies: prospective legislation.	Manifesto commitment to early public consultations.	Submission on timing and broad issues with EST.	Chancellor Economic Secretary Mr Monck	Registry of Friendly Societies, Bank DOE
(iii) Profit on non-competitive contracts	Review Board for Government contracts due to report in Autumn.	Ministerial correspondence or discussion	Chief Secretary Mr Judd	MOD DHSS
4. COINAGE				
(i) £1 coin/ £1 note	100M of coins issued	To decide timing of demonetisation of £1 note	Chief Secretary Mr Watts	Royal Mint B of E
(ii) Future of coinage	Proposals made on ½p, 1p, 10p.	To decide timing of demonetisation of ½p and replacement of 10p; to agree consultative document on other change.	Chief Secretary Mr Watts	Royal Mint

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTED DEPTS
<p>5. <u>TAX</u></p> <p>(i) Finance Bill/ Budget</p> <p>(ii) National Insurance Surcharge</p> <p>(iii) Personal taxation</p>	<p>Starters lists October/ preliminary position papers December</p> <p>Autumn decision on 1984-85 rate/abolition.</p> <p>A number of issues, including NICIT, under examination.</p>	<p>Starts lists will be submitted to Ministers - several meetings probably necessary to discuss successive drafts.</p> <p>Submissions as necessary in October.</p> <p>Submissions as necessary</p>	<p>Chancellor Mr Monger</p> <p>Chancellor Mr Monger</p> <p>FST Mr Monger</p>	<p>IR C&E D.Transport</p> <p>IR DHSS</p> <p>IR</p>
<p>6. <u>PUBLIC EXPENDITURE</u></p> <p>(i) 1983 Public Expenditure Survey</p> <p>(ii) 1984 Public Expenditure in the longer term <i>White Paper</i></p>	<p>PESC report and draft paper for July Cabinet now ready.</p> <p>Preliminary guidance given to departments in CST's letter of 11 May. (Pilot studies on more extensive changes for 1985 White Paper).</p>	<p>First Cabinet discussion held on 21 July (pps by Chief Secretary and by Chancellor on economic background). Followed by bilaterals with spending Ministers, mostly in September. Further Cabinet provisionally fixed for <u>28 October</u>, with a view to announcement of decisions early/mid November.</p> <p>None before Christmas.</p>	<p>Chancellor CST Mr Bailey Mr Mountfield</p> <p>Mr Wilding Mr Mountfield Mr Hart</p>	<p>All</p> <p>All</p>

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTS DEPTS
(iii) Public expenditure in the longer term	Now included in main Cabinet discussion of 1983 PES.	References to longer-term objectives in draft paper by CST for July expenditure Cabinet. Possible further Cabinet in September to establish "desired long-term paths" for individual programmes.	Chancellor Chief Secretary Mr Bailey Mr Byatt Mr Mountfield	All
(iv) Pay and public expenditure 1984-85	General meeting on pay: prospects for the year ahead held by Chancellor on 30 June.	Decision needed in autumn on pay assumption for central government groups for public expenditure plans and cash limits in 1984-85.	Chancellor CST Mr Mountfield	All
<u>7. ARTS & HERITAGE</u>				
(i) Income producing activities of the national museums and galleries.	Results of OAL Survey under consideration by officials.	Decision on submission later this year.	CST Miss Kelley	OAL
(ii) Education, Science, and Arts Committee Eighth Report on Public & Private Funding of the Arts.	Draft Government response being co-ordinated by OAL.	Approval of draft.	CST FST Miss Kelley	OAL, DTI, D.Emp, SO, W MPO, IR, DOE
(iii) Rayner Scrutinies of the Royal Opera House and the Royal Shakespeare Company	Scrutiny in progress.	Submission by the end of the year.	CST Miss Kelley.	OAL, MPO

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTS PTS
(iv) Future of South Bank arts complex following abolition of GLC.	Under discussion in preparations for abolition legislation. Possibilities include transfer to the Arts Council; a new joint board; or a new NDPB.	Ministerial discussion and/or correspondence.	CST Miss Kelley	OAL, MPO, DOE.
8. DEFENCE				
(i) ROF's Reform.	Work proceeding on preparation of a bill to turn ROFs into a Companies Act Company, and other reforms.	Ministers may need to be consulted at different stages.	EST Mr Kitcatt	MOD DOI
(ii) Renegotiation of UK/US Cost Sharing Arrangement	Action lies with MOD on UK policy towards renegotiation of the existing agreement.	Defence Ministers may write to colleagues.	CST Mr Kitcatt Mr Pestell	MOD PSA FCO
(iii) Royal Dockyards	Treasury proposal of Trading Fund of Repayment Vote opposed by RN and MOD officials.	Defence Secretary expected to write to CST	CST Mr Kitcatt	MOD
(iv) SSGW for Royal Navy (Exocet replacement)	Competitive bids received from UK and abroad.	Defence Ministers should consult colleagues if they wish to buy the UK weapon, which is most expensive and least operationally effective.	CST Mr Kitcatt	MOD DOI FCO
(v) Army capital expenditure in Falklands	OD promised an MOD paper, expected in November.	OD discussion	Chancellor CST Mr Kitcatt	MOD PSA FCO

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTS PTS
(vi) MOD civilian manpower after 1984	Policy for CS as a whole to be considered by Cabinet on 21 July. MOD so far reluctant to identify future savings.	Ministerial correspondence and bilateral with Mr Heseltine after 21 July.	CST Mr Kitcatt	MOD
(vii) MOD charges for military training given overseas	Prime Minister has asked for MOD paper. No indications yet on timing of form of submission.	Either Ministerial correspondence or OD discussion.	Chancellor (if OD) CST Mr Kitcatt	MOD FCO
(viii) AFPRB Report on Service Doctors and Dentists	Report submitted to PM in June for approval. Chancellor requested deferment pending decisions expected on TSRB report by end-July	Ministerial correspondence	Chancellor Mr Kitcatt	MOD
(ix) 1983 Review of London Weighting for the Armed Forces	MOD draft evidence to AFPRB, expected in Sept is likely to be based on cost compensation principles endorsed by AFPRB but questioned by previous Chancellor.	Ministerial correspondence	Chancellor Mr Kitcatt	MOD
<u>9. EDUCATION AND SCIENCE</u>				
(i) Student loans/new sources of higher education finance	Loans put into cold storage before Election - no manifesto commitment CST pressing Sir K Joseph to set work in hand again. Large potential savings in long term. Sir K Joseph also considering other ways or reducing system's dependence on public sector.	Ministerial correspondence and/or discussion eventually H Committee	Chancellor CST Miss Kelley	DES (in lead SO, NIO, Others with interest qualified manpower.
(ii) Wider parental choice/education vouchers	Full vouchers scheme apparently rejected as impracticable. Other means to same end to be explored. Risk of increased expenditure.	Uncertain.	Chancellor CST Miss Kelley	DES (in lead WO, SO, NIO

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTS DEPTS
(iii) Education support grants	Policy approval secured for legislation in 1983-84 session. Details still to be agreed for Bill and subordinate legislation.	Ministerial correspondence and/or discussion.	CST Miss Kelley Mr Pestell	DES (in lead) DOE, WO
(iv) Response to report on Youth Service; and to comments on consultation document on further education legislation	H Committee ruled out legislation for foreseeable future. DES may seek to re-open. Possible expenditure implications even if no legislation.	Ministerial correspondence and/or discussion	CST Miss Kelley	DES (in lead) DOE, WO
(v) Student numbers in higher education	Intake last autumn much higher than expected. Policy response on future numbers and unit costs to be decided.	Ministerial correspondence and/or discussion	CST Miss Kelley	DES, SO, WO
(vi) Science and Engineering Council - International commitments	Treasury working group established to consider problems arising from sterling fluctuations and increasing UK share of budget of CERN and others.	Working group to report to Ministers. Possible discussion or correspondence thereafter.	CST Miss Kelley	DES Cabinet Off. FCO DTI
(vii) ACARD/ABRC report on improving research links between higher education and industry	Report published. Recommends new expenditure on 'pump priming'. Response required.	Ministers will need to approve response.	Chancellor CST Miss Kelley Mr Lovell	DES Cabinet Off DTI others

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTS DEPTS
(viii) Funding of vocational education and training	Review completed and being considered by Secretary of State for Employment.	Ministerial correspondence or possible discussion.	Chancellor CST Mr Traynor	DE DES DOI
10. <u>LOCAL GOVERNMENT</u>				
(i) RSG settlement	Decisions on public expenditure provision for local authorities in 1984-85 - needed for end-July announcement. Decisions on size of Aggregate Exchequer Grant, penalty regime, service distribution* and grant distribution culminating in RSG Orders for England, Scotland and Wales before Christmas.	Ministerial correspondence and bilateral discussion. Meeting of E(LA) to take place in due course.	CST Mr Culpin	DOE, SO, WO On* also DES, HO, DT DHSS, OAL
(ii) Rating reform	White Paper due by end-July on manifesto proposals to cap rate increases (Bill in January) and other rating reforms. Also White Paper on Scotland.	Ministerial correspondence possible discussion in E(LF).	CST Mr Culpin Mr Griffiths	DOE, WO, SO, IR
(iii) Abolition of GLC and Metropolitan County Councils	White Paper promised for autumn with a view to legislation in 1984-85. Decisions needed on content of short bill to "pave way" in 1983-84 session.	Ministerial correspondence and discussions in MISC 95.	CST Mr Culpin Miss Kelley	DOE, DTp, HO, OAL, DHSS, D
(iv) Housing a. Housing improvement policy	Report of official review group expected in September.	Submission in September on outcome of review including proposals for changes, followed by collective discussion.	CST Mr Hopkinson	DOE, SO, WO NIO

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTS DEPTS
b. Future of rent control	DOE officials expected to put proposals to their Ministers in next few months.	Collective Ministerial consideration of proposals made by DOE Ministers.	CST Mr Hopkinson	DOE
c. Assistance to purchasers of defective system built houses	DOE Ministers expected to propose shortly buy-back or repair grants as right for purchasers of local authority system built housing.	Submission followed by collective Ministerial consideration.	CST Mr Hopkinson	DOE
(v) Abolition of Dog Licences	To go to H in July		CST Mr Hopkinson	DOE MAFF
(vi) Review of Hansard Pricing	MST consulting Leaders of Houses	Collective discussion	CST Mr Hopkinson	HMSO
(vii) Ordnance Survey Financing	Advisory Committee to report in autumn.	Ministerial correspondence	CST Mr Hopkinson	DOE OS
(viii) Purchase of Millbank Property for Government use	Secretary of State likely to consult Prime Minister in immediate future	Collective discussion	CST Mr Hopkinson	PSA and others
(ix) Reorganisation of PSA	PSA officials preparing detailed proposals.	Ministerial correspondence	CST Mr Hopkinson	PSA and others
11. HEALTH AND SOCIAL SECURITY				
(i) National Insurance Contributors review	Annual review of contribution rates - to apply from April 1984.	Submission in mid-October likely to be followed by a meeting with the Secretary of State for Social Services. Deadline by end-October.	Chancellor Mr Watson	DHSS

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTS PTS
(ii) New disabled persons invalidity pension	H Committee paper in preparation illustrating options. Will make clear that Secretary of State for Social Services and Chief Secretary wish to pursue different options.	H Committee discuss shortly.	CST Mr Watson	DHSS
(iii) Quinquennial review of State earnings related pension scheme.	Draft report to Ministers now being prepared.	Timing unclear but likely to be discussed in? H Committee in the Autumn	Chancellor Mr Watson	DHSS
(iv) NICIT	Papers on various issues arising from NICIT proposals are being drafted.	Financial Secretary considering with Treasury and Inland Revenue Officials.	Financial Secretary Mr Watson Mr Monger	IR
(v) DHSS Operational Strategy Management Plan	Paper in preparation seeking endorsement from Ministers collectively.	Consideration of the paper in H Committee	MST Mr Watson	MPO, DHSS, DE CCTA
(vi) DHSS National Unemployment Benefit Scheme (NUBS) Computers MPO Assessment	MPO assessment expected of the case for transferring control of NUBS from DHSS to DE. (Paper now in draft).	Probably by Ministerial correspondence.	MST Mr Watson Mr Traynor	MPO, DHSS DE, CCTA

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTS EPTS
(vii) Alternative finance of health care. Follow-up to LPTE exercise	Some studies completed before the Election. Options discussed in forthcoming PES, others will be followed up in re-run LPTE exercise.	Discussion as part of PES.	CST Mr Watson	DHSS, SO, WO
(viii) NHS manpower and efficiency	Manpower targets still under discussion between DHSS and NHS. Management inquiry set up under Roy Griffiths. Interim report already received.	To approve manpower targets. To decide on action in light of Griffiths: this will probably include assessing higher levels of efficiency saving in the PES year.	CST Mr Watson	DHSS, SO, WO
(ix) Cash limiting the Family Practitioner Service:	Consultants still at work. Report imminent.	To consider the report.	CST Mr Watson	DHSS, SO, WO
(x) Pensions: Laws and conventions governing conduct	DHSS - chaired Working Party of officials now reported.	Discussion in H.	CST Mr Monck Ms Seammen	DHSS, DT, DI, GAD, IR Bank
12. <u>TRANSPORT</u>				
(i) BAA Privatisation	Proposals likely to come forward in next 2 months.	Secretary of State for Transport in lead.	EST Mr R H Wilson	SO
(ii) Profits of duty-free shops at airports	A report has just been commissioned by the EST.	Likely discussion with DTp	EST MST Mr Christie	DTp
(iii) British Rail	(a) finalise current year's grant and review of EFL.	Official discussion. Submission to CST (July)	CST Mr Morgan	DTp
	(b) brief for new Chairman. In draft with S of S Transport.	Decisions on text required in July.	Chancellor CST Mr Morgan	DTp

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTS DEPTS
	(c) appointment of new BR Chairman. Candidates under consideration.	Decision by September.	Chancellor, CST Mr Morgan	DTp
	(d) Serpell Report. Interim report by officials DTp, Tsy, ScO, WO.	Ad hoc discussion DTp, Tsy, ScO, WO.	Chancellor CST Mr Burgner	DTp, ScO, WO
(iv) Scottish Transport Group	Paper by Secretary of State for Scotland tabled; discussion delayed until paper by Secretary of State for Transport on National Bus Company available in Autumn.	Discussion in E(DL)	EST Mr Morgan	DTp, ScO
(v) London Region Transport Authority	Legislation this session; decision required on content.	Submission to CST.	CST Mr Morgan	DTp, DOE
(vi) British Waterways Board	BWB's long term future discussed at E(NI) in April. Key factor in new approach is appointment of new Chairman from Jan 1984, charged with fundamental review of BWB's activities.	Consultation on appointment of new Chairman.	CST Mr Morgan	DOE
13. <u>NATIONALISED INDUSTRIES AND PRIVATISATION</u>				
(i) Nationalised industry/ Government relationships.	Negotiations continuing with industries over objectives and monitoring.	Ministers involved in some discussions.	Chancellor CST Mr Bailey	NI Sponsor Depts

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTS DEPTS
(ii) Programme of NI performance and Corporate Plan reviews	1983 round of E(NI) discussions now in progress NIP to discuss options for improving system of corporate plan discussions and to make recommendations to E(NI).	Treasury Ministers involved at E(NI) and in discussion of some individual industries.	Chancellor. CST Mr Burgner	NI Sponsor Departments
(iii) EFLs for 1984-85 and EFRs for 1985-86 and 1986-87	IFR Report by Officials completed. (EA) agreed targets of £500m, £900m and £2,000m below baseline for 1984-85, 1985-86, 1986-87. Industries to submit revised bids.	CST bilaterals with sponsor Ministers in Autumn. Further discussion at (EA) possible.	CST Mr Burgner	All NI Sponsor Departments
(iv) Asset disposals/ privatisation	(1) E(DL) agreed long term programme of disposals in November. To be reviewed at 6 monthly intervals. Next review in October 1983. (2) Paper on strategic/structural issues with Treasury Ministers. Builds on work in CPRS Report on State Monopolies.	Treasury Ministers involved at E(DL) discussions, and in individual proposals (eg Royal Ordnance Factories). Submission to Chancellor. Subsequent EST bilaterals with sponsor Ministers.	EST Mr Burgner Chancellor EST Mr Burgner Mr Christie	All Depts with assets to be disposed All NI sponsor Depts
(v) Rolling programme of MMC references	Paper from NIP to clear in correspondence.	Correspondence.	CST Mr Burgner	DOTI, and all NI sponsor Depts
(vi) Value for money audit (VFM)	NI Chairmen discussing voluntary measures.	Submission to CST.	CST Mr Burgner	NI sponsor Departments
(vii) New capital structures	Summary proposal with Treasury Ministers	Possible discussion in E(NI)	Chancellor EST Mr Christie Mr Burgner	All NI sponsor Depts

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTS DEPTS
(viii) Nationalised Industry Board pay increases in 1982 and 1983.	Sponsor Ministers to submit proposals for outstanding 1982 cases and for 1983 for which a framework has now been agreed.	Ministerial correspondence in July/October for outstanding 1982 increases, and 1983 increases.	Chancellor, Mr Anson	NI sponsor Depts
(ix) Nationalised industry pay	Low key monitoring	Decision during pay round beginning this autumn	Chancellor Mr Traynor	NI sponsor Depts
(x) Nationalised industry pensions	Sponsor Departments have reported extent to which the nationalised industries have contingent liabilities for their pension funds.	Discussion of implications for the Exchequer.	CST Mr Burgner	NI sponsor Departments
14. ENERGY				
(A) NATIONALISED INDUSTRY ISSUES				
(i) Energy prices	Paper prepared by PEAU on pricing principles and balance of prices between different fuels. To be discussed with Treasury Ministers before Recess.	Background to discussion of corporate plans in E(NI)	Chancellor CST Mr Christie Mr Turnbull	DEn
(ii) National Coal Board Corporate Plan	A revised "Discussion Document" has been discussed with DEn who are preparing a paper on strategic options for NCB. Decision also needed on Ashfordby new mine.	Paper to come to Ministerial group. For discussion in early September.	Chancellor CST Mr Turnbull	DEn, SO, WO

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTS DEPTS
(iii) Electricity pricing	Financial targets and performance aims have been set. Work needed on refinement of marginal costs. Discussion started on prices for large industrial users.	Ministerial correspondence with DEN and DoI.	Chancellor CST Mr Turnbull	DEN DTI SO
(iv) BGC Oil Assets	Oil assets shortly to be transferred to DEN. Work in adding exploration acreage underway. Recruitment of management beginning. Preparation of flotation in Spring 1984.	Ministerial correspondence on issues for decision as they arise plus progress chasing.	EST Mr Turnbull	DEN
(v) BGC Corporate Plan	Paper being prepared on strategic issues - prices, policy on imports, financial target, gas levy and performance aims.	Ministerial correspondence before Recess.	Chancellor CST Mr Turnbull	DEN
(B) OTHER ISSUES				
(vi) North Sea Taxation	(a) Legislation on royalty relief and shared assets before Parliament. (b) Study of case for amendment to fiscal regime in Southern Basin about to begin.	On (a) amendments to legislation to be agreed with Ministers. On (b) a report will be put to Ministers late autumn in time for action if any next Budget	EST Mr Crawley - IR Mr Turnbull Mr Robson	IR DEN
(vii) Combined Heat and Power/District Heating.	Consultants to report on possible schemes in major cities.	Ministerial correspondence on whether to proceed to further planning.	CST Mr Turnbull	DEN, SO, NIO DOE

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTS DEPTS
(v) British Shipbuilders	Following discussion at E(NI) shortly, it will be necessary to take final decisions in the autumn on action to reduce losses.	Secretary of State for Trade and Industry in the lead.	Chancellor. CST Mr R H Wilson	SO FCO (EC aspects)
(vi) Review of Regional Economic Policy	Second report to Ministers in early July.	Discussion in E(A) in July if possible.	Chancellor CST Mr Anson	DTI, DOE, DEM, SO, WO, NIO, CPRS
(vii) Review of Leyland Vehicles	BL Board to make a recommendation to Ministers in mid-July.	Ad hoc Ministerial meeting - late July	Chancellor Mr Lovell	DTI, DEM, SO, CPRS
(viii) Rolls Royce RB 211-535 E4 engine	DTI preparing a submission to Ministers collectively.	D(NI) or E(A). Discussion late July or September.	Chancellor CST Mr Lovell	DTI, FCO, DEM, MOD, CPRS
(ix) Future of Rolls Royce	Presentation by RR Chairman September/October.	Subsequent discussion in E(A) or E(NI)	Chancellor CST Mr Lovell	as above
(x) European Community expenditure programmes (regional assistance and R&D)	Paper for Chief Secretary in preparation.	Discussion in OD Committee in early September.	CST Mr Chivers	DTI, FCO, SO WO, NIO, DES DEn, DOE
16. PAY				
(i) 1983-84 pay round	Chancellor has discussed with Treasury officials. Collective discussions by Ministers not immediately in prospect.	Ministerial correspondence on individual negotiations, and discussion in E(PSP).	Chancellor CST MST Mr Anson Mr Traynor	DEn and Dept responsible for pay negotiations

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTS DEPTS
7. <u>CIVIL SERVICE</u> <u>PAY AND</u> <u>MANPOWER</u>				
A. PAY				
(i) Longer-term arrangements for non-industrial Civil Service pay.	Megaw Report published in July 1982 and broad approach accepted in principle in Parliamentary Statement in December. Discussions continue with unions.	Regular reports made to Treasury Ministers; Chancellor may wish to report progress to colleagues before Summer Recess.	Chancellor MST Mr Kemp	Prime Minister MPO Main employing Depts
(ii) Parliamentary pay and allowances	TSRB Report No 20 published in May, Proposals under consideration by Ministers.	House of Commons debate on 19 July.	Chancellor Lord Privy Seal Lord President Mr Kemp	Prime Minister Cabinet Office
(iii) Pay of Higher Civil Service	TSRB Report No 19 published May 1983	Ministerial decisions to follow completion of action on Report No 20 on Parliamentary pay.	Chancellor MST Mr Kemp	All
(iv) New pay system for ICC industrial Civil Service	No commitments yet made following Megaw Report which has yet to be discussed in detail with unions.	Need for decision by September on line to be taken in further exchanges with unions.	Chancellor MST Mr Pearce	MOD, PSA, DHSS, DEM, MPO
(v) Industrial civil servants review for 1983	Unions consulting members on 4.86% offer.	If offer is accepted no further action required.	Chancellor MST Mr Pearce	MOD, PSA, DEM, MPO
(vi) Rayner Scrutiny of Civil Service Catering	Government statement made on 1 February 1983. Detailed recommendations being implemented/under consideration	General round-up report before Summer Recess with further decisions required on the Autumn.	MST Mr Kemp	All, particularly MPO

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTS DEPTS
(vii) Action on Public Service Pension contributions, including making PCSPS contributory	Paper submitted to Treasury Ministers in early July.	Proposals to MISC 83 in near future and Cabinet later.	Chancellor, MST, Mr Kemp, Mr St Clair	DHSS, DES, HO, DOE
(vii) Public Services (Transfer of Functions) Bill.	CST consulting interested colleagues on whether to consult to European Commission on legal position.	Ministerial correspondence	CST, MST Mr St Clair	Most Dēpts especially MPO, MOD, DOE, DTp, DHSS, DEM
B. MANPOWER				
(i) Managing Civil Service manpower rundown.	Ministers to consider total of bids for 1.4.84 in PES and Estimates (final scrutiny of rundown to 630,000).	Included in PES submission. Possible later submission on Estimate figures.	CST, MST Mr Bailey Mr Wilding Mr Mountfield	All
(ii) Manpower Control after 1984	Paper for Cabinet now ready.	Cabinet discussion planned for 21 July (paper by CST). Followed by bilaterals with spending Ministers (mostly same bilaterals as for public expenditure). Further Cabinet provisionally fixed for 28 October, with a view to announcement of decisions early/mid November.	CST, MST, Mr Bailey Mr Wilding Mr Mountfield	All
(iii) Contracting out	Paper on contracting out (Civil Service, NHS, local authorities and nationalised industries) now ready.	Report to Cabinet planned for 21 July (paper by CST). Paper will be "take-note". Further report promised in 6 months/1 year	CST, MST, EST Mr Bailey Mr Wilding Mr Mountfield	All

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTS DEPTS
(iv) Scrutiny of departmental running costs	Report to the Prime Minister on 1982 Scrutiny being prepared, plus submission setting out proposals for 1983 Scrutiny.	(i) Chief Secretary to report to Prime Minister in 1982-83. Scrutiny and seek agreement to form of 1983-84 Scrutiny (late July/early August). (ii) Chief Secretary to report to Prime Minister on 1983-84 Scrutiny (December/January).	CST, MST, Mr Bailey Mr Wilding Mr Mountfield	All
<u>18. CCTA/TECHNOLOGY</u>				
(i) Review of CCTA	Report due early November.	Ministerial correspondence	Chancellor MST Dr Freeman	All
<u>19. HOME AFFAIRS</u>				
(i) The Port of London Authority	Limited revenue support offered until September on condition that progress towards profitability (i.e. transfer cargo handling to private sector and secure further redundancies of registered dock workers) is shown by September.	Discussion (probably in E Committee) in near future.	CST Miss Kelley	DTp DE
(ii) Channel Tunnel	Report on outcome of financial study expected shortly.	Probably 'E'	CST Miss Kelley	DTp, DTI, FCO
<u>20. EUROPEAN ISSUES</u>				
(i) European Community Budget 1984; industry refunds for 1983	Budget Committee concluded, now considering before Budget Council 21/22 July.	Ministerial correspondence and Budget Council	FST Mrs Hedley-Miller	FCO, Cab Off MAFF

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTS DEPTS
(ii) European Community Supplementary Budget industry refunds for 1982-83.	Parliamentary Draft awaited from Commission.	Budget Council	FST Mrs Hedley-Miller	FCO Cab Off MAFF
(iii) Future financing of Community and lasting solution to Budgetary imbalances problem.	Negotiating now beginning in special councils.	Discussions on UK line and possible attendance at special councils.	Chancellor Mr Unwin	FCO Cab Off MAFF
(iv) Review of possible membership of EMS exchange rate mechanism.	To accompany other current reviews of the form and operation of monetary policy.	Paper for Chancellor in first place. Foreign Sec. also has an interest. Poss meeting with Prime Minister (depending on outcome)	Chancellor Mr Littler	Bank
21. <u>INTERNATIONAL</u>				
(i) Aid strategy and framework	Proposals being discussed by officials. Will require after PES decisions.	Ministerial correspondence	Chancellor CST Mr Carey	ODA, FCO, D
(ii) Replenishment of IDA	World Bank management seeking decision on IDA7 by autumn.	Ministerial correspondence	Chancellor CST Mr Carey	ODA
(iii) Renewal of Lome Convention	Negotiations between EC and recipient countries start in autumn.	Ministerial correspondence	Chancellor Mr Carey	ODA, FCO
(iv) International Trade	Interdepartmental consideration will continue on matters arising from GATT Ministerial and OECD and Williamsburg commitments to contain and reverse protectionism.	Ministerial correspondence	Chancellor	DTI, FCO
(v) Crown Agents	Review of future in November.	Ministerial correspondence	Chancellor CST Mr Carey	ODA

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(vi) Commonwealth Finance Ministers Meeting	21-22 September in Trinidad. Will discuss IMF/IBRD topics and study on international trade and payments system.	Chancellor will attend	Chancellor. Mr Carey	ODA FCO
(vii) Review of future status of ECGD	Terms of reference agreed. Membership of committee being discussed.	Ministerial correspondence on composition of committee	Chancellor CST Mr Carey	ECGD, DTI, Bank
(viii) Export Credit Consensus	No agreement reached. Existing Consensus likely to be extended until October.	Ecofin meetings in September and October. Possible OECD Ministerial meeting.	Chancellor CST Mr Carey	ECGD, DTI
(ix) International debt	Brazil contingency study.	Paper for Chancellor in first place.	Chancellor Mr Littler	Bank, FCO, Trade
(x) IMF/IBRD	Annual meeting, 27-29 September, Washington.	Speech by Chancellor	Chancellor Mr Littler	Bank
(xi) IMF access Limits IMF liquidity SDR allocation)Discussions now taking place among G5 and G10. Deputies as well as in IMF Executive Board.	Meeting of IMF Interim Committee, Washington, 25 September.	Chancellor Mr Littler	
(xii) G5 Policy Convergence Group	G5 Ministers' last discussion with Larosiere in April.	Further discussion probably alongside IMF Annual Meeting.	Chancellor Mr Littler	Bank
(xiii) International monetary system	Discussion among G5 Deputies following Williamsburg remit to Finance Ministers.	Further discussion probably alongside IMF Annual Meeting.	Chancellor Mr Littler	Bank
(xiv) 1984 Summit	Submission made to PM on UK site.	Report to Ministers of preliminary Sherpas' Meeting around Christmas.	Chancellor Mr Littler	FCO, Bank
(xv) Review of plans for official foreign currency borrowing	Paper in preparation.	Submission to Ministers before autumn	EST Mr Lavelle	Bank

ITEMS DROPPED FROM PREVIOUS NOTE

ITEM	OUTCOME
<u>GENERAL</u>	
TCSC (i) Report on Budgetary Reform. Possible further discussion with TCSC on firm and content of Autumn Statement	No further discussions held with TCSC before Committee dissolved at end of last Parliament.
(ii) Report on International Monetary arrangements	Report published. Submission to Ministers on publication
<u>COINAGE</u>	
Currency Bill	Enacted 28 March 1983
Miscellaneous Financial Provisions Bill	Enacted 13 May 1983
<u>TAX</u>	
(i) TCSC: Meacher Sub-Committee	Draft report, unapproved by TCSC, published: no formal response necessary
X (ii) Taxation of banks	Announced in Budget Statement that special tax would not be introduced in 1983-84
(iii) Review of motoring taxes	Report submitted in January
<u>PUBLIC EXPENDITURE</u>	
Spring Supplementary Estimate for 1982-83	Presented in February
Main Estimates 1983-84	Presented in March
Revised and summer Supplementary Estimates for 1983-84	No revised Supplementary Estimates because of the dissolution of Parliament. Summer Supplementary Estimates presented 8 July
End-year flexibility for cash limits covering capital and equivalent expenditure	Scheme for 1983-84 announced by Chancellor on 7 July. Work now being done on detail.
1983 Public Expenditure White Paper	Cmnd 8789 published 1.2.83
1983 Survey Launch	Action completed
1983 Survey - preliminary decisions	Decisions taken in April on guidelines and in June on timetable
<u>LOCAL GOVERNMENT</u>	
Local authority Budgets	Penalties for overspending will be implemented in Supplementary Reports to be presented to the House before the Recess
New Towns Lending	Legislation in Finance Act 1983

Housing Improvement Policy

Subsumed by interdepartmental review

HEALTH AND SOCIAL SECURITY

Indexation of Social Security benefits - recovery of benefit overshoot in November 1982

Legislation now in force changing method for calculating benefit uprating from forecasts to historic basis. Replaces proposals to recover overshoot. Decisions on benefit improvements announced in the Budget

Benefits: uprating decisions

ditto

NHS contracting out

Health circular about to be issued

Effective prescribing

Greenfield report published: apart from recommendations on generic prescribing, much of the action rests outside Government

Generic prescribing to be covered in review of Pharmaceutical Price Regulations Scheme, which is expected to be concluded in mid 1984-85

Measures of Industrial Assistance in Northern Ireland Marshall Group

Action completed

TRANSPORT

BAA Investment of Private Finance Working Group

Overtaken by consideration of direct privatisation

British Transport Docks Board Flotation

Sold in February 1983

NATIONALISED INDUSTRIES AND PRIVATISATION

Nationalised industry/Government relationships; business expertise of staff involved with NIs

Discussed at E(NI). Lord Privy Seal to provide further report in a year's time

Performance aims

Discussed by NIP; accepted Treasury recommendations (Feb 83) PEAU now studying performance aims

Performance pay for Board Members

Chancellor wrote to Chairman of NICG on 25 March saying, among other matters, that the Government was willing to consider soundly based schemes for moderate rates of bonus and offered a meeting

INDUSTRY

BSC Consideration of major closures

Cabinet decided on no major closure for time being, though no plant is guaranteed a future

Corporate Plan

Agreed by Ministerial correspondence prior to election

Appointment of Chairman

Mr Bob Haslam appointed as part-time Chairman. Mr Bob Scholey as Chief Executive

BT MMC Reference

This idea was dropped, since BT management is already hard at work on privatisation

CIVIL SERVICE PAY AND MANPOWER

Non-industrial Civil Service pay for 1983

Settlement reached March/April

London Weighting 1983

Settlement reached March/April

New pay system for HMSO print workers

Action deferred until 1984

Further preparations in case of industrial action

Negotiated settlements reached or in prospect in 1983 pay negotiations

CCSU proposals for revised collective bargaining procedures

No longer under active discussion with unions

Managing Civil Service rundown (630,000 target)

Figure of 628,316 agreed in 1983/84 Estimate. But this figure is subject to revision in the 1984/85 Estimate

Manpower control after 1984

Ministers agreed to Chief Secretary's proposed line of approach. Departments reviewed and reported on their manpower prospects

Redundancy terms for non-mobile Civil Servants

unions' claim rejected

Breaking the statutory link between the upratings of Social Security benefits of public service pensions

Ministers decided instead to change the uprating method, in what became the Social Security and Housing Benefits Act 1983

Local Allowances for Armed Forces in Germany

Agreement reached with MOD in late February without further Ministerial intervention. Full year savings at current prices of about £45m reported to Chancellor in March

2-tier standard rate of Motor Mileage Allowance

Agreement reached with Council of Civil Service Unions on 17 June. Two-tier system to be introduced with effect from 1 October 1983: standard rate for first 9000 miles a year 25.8p a mile; 14p a mile for subsequent mileage

INTERNATIONAL

UNCTAD IV

Conference ended 3 July, reasonably satisfactorily for UK

Export Subsidies and Risks

Chancellor's minute to Prime Minister on new guidelines circulated to EX and the Governor of the Bank of England

Intervention Study

Report of Jurgensen Group discussed by Finance Ministers and published on 29 April

8th Quota Review)
GAB)

Increased IMF resources agreed at Interim Committee meeting in February and related legislation enacted in July

15. INDUSTRY

UBJECT	STATE OF PLAY	MINISTERS' INVOLVEMENT	MINISTERS/OFFICIALS IN THE LEAD	OTHER INTERESTED DEPARTMENTS
British Steel Corporation	BSC negotiations with US Steel on Ravenscraig/Fairless slab deal <u>may</u> soon result in proposals to Government	<u>Potential Discussion</u> , if BSC make proposal.	Chancellor Mr R H Wilson	DTI SO WO
British Telecom	Reintroduced Telecom Bill before Parliament, aim is for privatisation during 1984.	<u>Ministerial meetings</u> , correspondence on many key aspects to come.	Chancellor EST Mr R H Wilson	DTI
	Official Group on Profit Regulation of BT to report to DTI by autumn.	Discussion by ministerial committee in autumn	Chancellor Dr Rickard Mr R H Wilson	DTI
Post Office	DOI preparing paper on privatisation possibilities.	<u>Discussion at E(DL)</u> likely in the autumn.	EST Mr R H Wilson	DTI
	Future Financial/Performance targets currently being discussed by officials	<u>Ministerial Correspondence</u> to settle targets before autumn.	Chancellor Chief Secretary Mr R H Wilson	DTI
	MMC Reference to be made in September. Likely to be on PO counters.	<u>Correspondence</u> by Ministers to settle subject for reference soon.	Chancellor Mr R H Wilson	DTI

SUBJECT	STATE OF PLAY	MINISTERS' INVOLVEMENT	MINISTERS/OFFICIALS IN THE LEAD	OTHER INTERESTED DEPARTMENTS
<u>Cable and Wireless</u> <u>Secondary Offer</u>	Discussion with the FCO, preliminary proposals on size and timing of sale shortly afterwards	Treasury Ministers in the lead, consulting colleagues as necessary	Chancellor Mr Middleton Mr R H Wilson	DTI FCO Bank of England