

PART C

CONFIDENTIAL

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PO -CH /GH/0096



PART C

Begin: 26/7/83

DD: 25 years

Ends: 23/12/83

[Signature] 1/9/95

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

PO -CH /GH/0096

PART C

PART C

CONFIDENTIAL

FROM: MRS R M DUNN
DATE: 26 JULY 1983

PS/CHANCELLOR

cc PS/Chief Secretary
PS/Financial Secretary
PS/Minister of State
Mr Middleton
Mr Anson
Mr Lovell
Mr Battishill

STOCKTAKING NOTE - MATTERS FOR MINISTERIAL ATTENTION

I attach additional contributions on Agriculture for Annexes A and B of the Stocktaking Note I submitted on 22 July. These unfortunately were not received in time to be included in the main note. In each case, the additional papers should be added to the end of the Annexes already submitted.



MRS R M DUNN

ANNEX A

<u>SUBJECT</u>	<u>STATE OF PLAY</u>	<u>MINISTER'S INVOLVEMENT</u>	<u>MINISTERS AND OFFICIALS IN THE LEAD</u>
22. AGRICULTURE (1) Review of CAP, following Stuttgart European Council	UK to circulate a paper in Brussels on a "strict financial guideline" for CAP expenditure early in August. Thereafter this and other aspects of CAP will be part of the negotiations leading up to Athens European Council	Ministerial decisions may be needed inter alia on: <ul style="list-style-type: none">- linking Community prices with world prices- MCAs- the variable beef premium during the course of negotiations	Chancellor, FST, Mr Fitchew
(2) Provision for agriculture in 1983 and 1984 Community Budgets	21 July Budget Council approved Supplementary Budget for agriculture in 1983 and 16.5 billion ecu provision in 1983. Difficult decisions may be needed if 1983 provision proves inadequate or is not adopted in good time (including a further IBAP supplementary). The 1984 Budget provision may be amended by the European Parliament and be in issue at the November Budget Council	OD(E) may need to discuss either the November Budget Council or, if problems arise on 1983 CAP expenditure	Chancellor, Chief Secretary (IBAP), Financial Secretary Mr Fitchew

<u>SUBJECT</u>	<u>STATE OF PLAY</u>	<u>MINISTER'S INVOLVEMENT</u>	<u>MINISTER AND OFFICIALS IN THE LEAD</u>
(3) Negotiations on integrated Mediterranean programmes (IMPs) and on future of guidance section	Negotiations will start in the autumn on IMPs (Commission proposal to spend 6000m ecu over 5 years in Greece, Italy and France); also on future of Guidance Section, present ceiling of which is exhausted. UK tactics will be to prolong both negotiations as long as possible and avoid commitments to increased expenditure	No Ministerial decisions needed at this stage, but IMPs in particular, could be on agenda of Athens European Council	Chancellor, Mr Fitchew, Miss Court
(4) Hill allowances and marginal lands	A decision will be needed on Minister of Agriculture's proposal to extend hill allowances and enhanced capital grants to the "marginal lands" at a cost of about £20m. Level of hill allowances will also be reviewed in the autumn. Treasury line is that no extra money can be found for these bids	The marginal lands bid will be on agenda for Chief Secretary's PES bilateral with Agriculture Ministers in September	Chief Secretary Mr Lovell
(5) Potato and wool guarantee schemes	Operation and financing of Potato Guarantee scheme to be reviewed early in the autumn. Similar review of wool guarantee scheme to begin round turn of the year	Ministerial decisions will be needed on potato guarantee in October-November. Further interim loan assistance may be needed pending increases in the producer levy	Chief Secretary Mr Lovell

SUBJECT

STATE OF PLAY

MINISTER'S
INVOLVEMENT

MINISTER AND OFFICIALS
IN THE LEAD

(6) Interdepartmental review of land drainage and flood protection

Ministerial decisions will be needed soon on the future of Exchequer grants v RSG support for land drainage etc. schemes. Treasury has proposed that this expenditure should be financed solely from water rates. Government has promised a Green Paper on this and other issues in the Report

Minister of Agriculture will be writing soon to Chief Secretary about handling of the report. The Exchequer grants would also be on agenda for 1983 PES as possible source of savings

Chief Secretary
Mr Lovell

(7) Fisheries restructuring

MAFF proposals for restructuring the fishing industry expected soon after summer recess. MAFF and DAFS already have more than adequate PES cover for this. Treasury interest will be to keep down the cost of the schemes while at same time encouraging a sensible run-down of fishing fleet. Treasury will also want a start made on recovery of debts owing to Sea Fisheries Industry Authority. MAFF may also propose Government finance for SFIA's marketing programme

Level of expenditure needed should be reviewed as part of this year's PES. Should be possible to claw back some of current excess provision and to resist any additional bid for SFIA marketing

Chief Secretary
Mr Lovell

(8) Food stockpiles

A decision will be needed as part of PES on MAFF proposal for an emergency babyfood stockpile. Treasury to press case for further disposals of flour and sugar stockpiles

For discussion in PES..But policy aspects may also be discussed in Home Defence Committee

Chief Secretary
Mr Lovell

SUBJECT

STATE OF PLAY

MINISTER'S
INVOLVEMENT

MINISTER AND OFFICIALS
IN THE LEAD

(9). Forestry disposals
programme

Decisions will be needed on
whether to prolong and expand
the forestry disposals
programme. The present (£82m)
programme is running behind
schedule because of weak
market

For discussion both as
part of disposals programme
and in PES bilateral with
Forestry Ministers

Chief Secretary
Economic Secretary
Mr Lovell

ANNEX B

ITEM

OUTCOME

AGRICULTURE

CAP 1983 price review

Settled in May. Average price increases about 4%

UK annual review of agriculture

White Paper issued in February showing 33% increase in real farm incomes

Potatoes and wool price guarantees

Level of price guarantees left unchanged in nominal terms for 1983-4 season, since when Potato Marketing Board has run into financial difficulties and has required Government loan assistance

Common Fisheries Policy

Agreed in January 1983, but difficulties over herring still continue. No further aids given to fishing industry

Disposal of Covent Garden Market Towers building

Taken off market for twelve months because of lack of interest

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Arranged that someone
from car pool will depart
around 10 am for Kingston
to collect agenda & bring to TBY
CHANCELLOR

Minutes (pasnell)
low
Ridley

FROM: P E MIDDLETON
DATE: 28 July 1983

cc Mr Bailey
Sir T Burns
Mr Littler
Mr Cassell
Mr Battishill
Mr Ridley

Pap. self have rept

File

KEY AREAS

(a) In my minute of 17 June, I suggested 5 key areas for work in the next few months. This note sets out where we are on these:-

1. Redefinition of the Strategy

A number of bulky papers will be coming to you this weekend. They cover:-

- (a) The objectives of Macro-economic Policy
- inflation, output and the role of money GDP
- (b) The Framework of Macro-economic Policy
- possible ways of determining fiscal and monetary policy given the objectives discussed in the previous paper.
- (c) Operating Monetary Policy
- an assessment of the main operational options. This paper contains an annex on monetary base control.
- (d) Sterling and the EMS
- the development of the EMS and the implications of joining the exchange rate mechanism.

The first two papers are the work of Sir Terence Burns and the Treasury economists. The second two are the work of the operational divisions on the home and overseas finance sides. They have been discussed in a small group under my chairmanship.

We could do a lot more work on the papers. But, with some overlap, they do cover the main options. And I think you would prefer to mull over them during the next few weeks rather than receive something more polished. At the same time as submitting them to you (with a copy to Mr Ridley) copies are being sent to the Bank. You will remember they set out some views in the paper attached to the Deputy Governor's letter of 13 June 1983. They are doing some further work and we hope to compare notes during the summer. I should like to put in a note of my own at some point - perhaps by providing an agenda for a discussion with you.

The papers are very sensitive and no copies are to be taken without my permission. Perhaps you could let us know which of your colleagues should be sent copies at this stage.

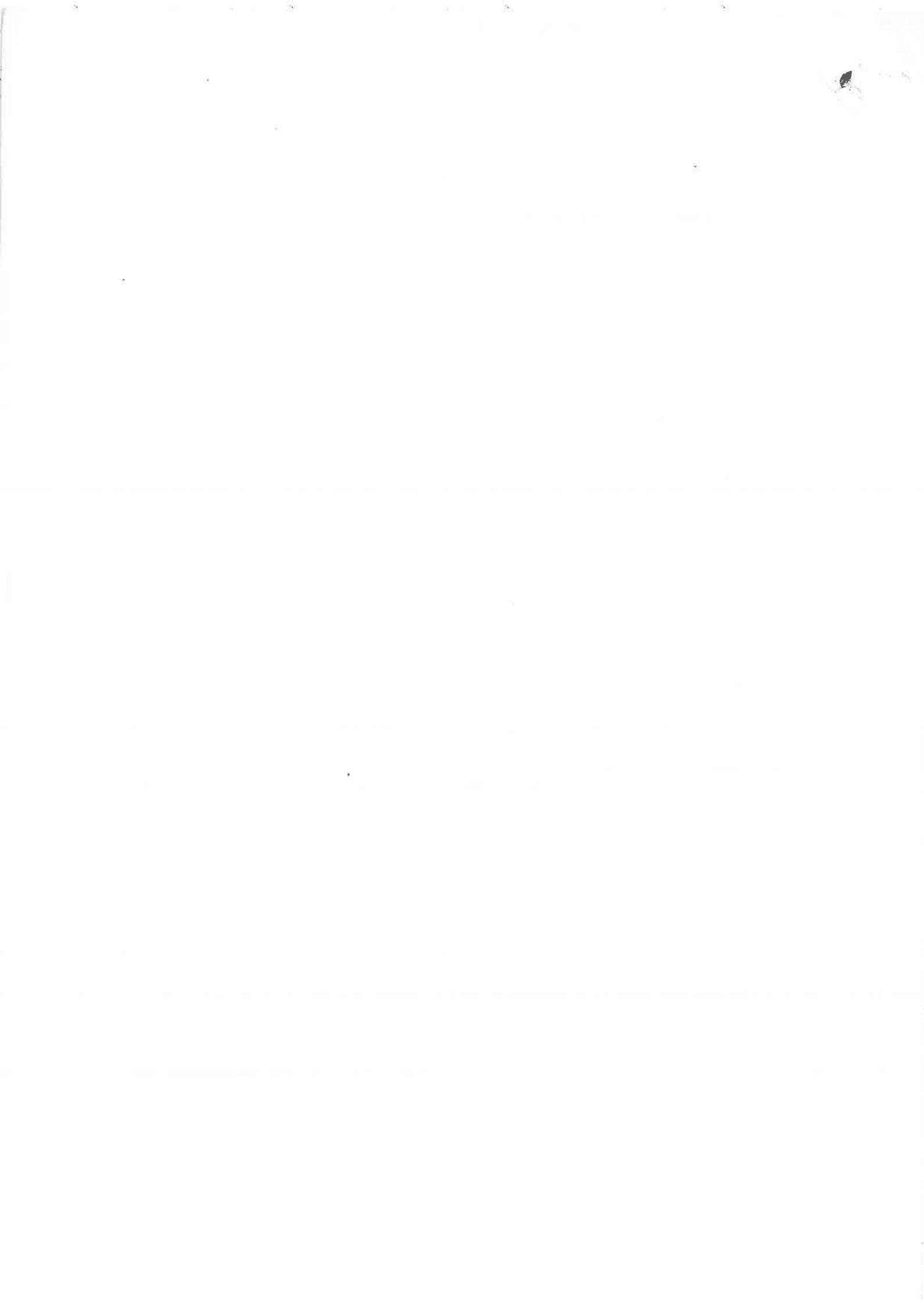
The objective is to get us to the point which you can make a definitive statement about economic policy at the Mansion House in October.

2. Redefinition of Policy to State Industry

We have made good progress. We have settled our objectives and tactics on privatisation. We have also clarified our position on pricing, investment and efficiency especially in the energy field - though I think we shall have to return to this subject again as we see how things develop in the Autumn.

3. Tax reform

The Financial Secretary sent you a number of position papers under cover of his minute of 6 July on Taxation Policy. In addition the Revenue will be letting you have next week a joint Treasury/Bank paper on the taxation of savings and investment. These papers could be discussed together to determine the main direction of work to be followed leading up to the Budget - and beyond in the case of some of the issues.



4. Making markets more efficient

You have asked for some material on unemployment which in part comes under this heading. And there is a read across from the previous item. Mr Anson will be providing a comprehensive note setting out the most promising options for improving the supply side. This link/^{has}suffered from a chronic tendency to run out of steam, because there are some very real difficulties to overcome. But I hope that we shall be able to pick a realistic number of possibilities and push them very hard from the Treasury.

5. The Community Budget

There is no great new paper on this alas - you will have seen all too much about it. If, as Mr Unwin suggests we may be withholding by Christmas, it is bound to cast a blight on the EMS option.



P. E. MIDDLETON

CONFIDENTIAL



FROM: J O KERR
DATE: 3 August 1983

MR BATTISHILL

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
PS/Minister of State
Mr Middleton
Sir T Burns
Mr Bailey
Mr Cassell
Mr Pestell
Mr Monger
Mr Ridley
Sir L Airey (IR)
Mr Fraser (C&E)
Mr Byatt
Mr Burgner

STOCKTAKING NOTE: TREASURY MATTERS

The Chancellor has seen the papers submitted by Mrs Dunn on 22 July. He found them helpful, and he would like the regular stocktaking exercise to continue.

2. He has four comments on detailed points.

3. First, section 5(i) suggests that the Finance Bill starters lists will be submitted to him from October. This would be a break with precedent; and while he of course wishes to be consulted during the exercise, he hopes that the Financial Secretary - assisted by the Economic Secretary and the Minister of State - will take charge of the preliminary winnowings.

4. Secondly, section 10(ii) suggests that the subject of rating reform might be handled purely as a public expenditure exercise. The Chancellor thinks it important that we should also bear in mind possible effects on borrowing, and on monetary policy. He would like the Economic Secretary, and HF, to be involved.

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5. Thirdly, the Chancellor notes, from section 10(iv), that the report of an official review group on housing improvement policy is expected next month. He hopes that it will incorporate, or be accompanied by, an (iconoclastic) analysis of the economic effects of housing improvement grants. The report will clearly be significant in the Survey context; and we should aim to ensure that it assists, or at least does not prevent, efforts to secure major savings in this area. ~~But~~ The Chancellor hopes that Treasury Economists are fully involved with LG in its preparation.

6. Finally, the Chancellor notes that section 13 does not include any reference to reductions in Government shareholdings, as distinct from disposals of assets. He thinks it important that we should try to establish agreed guidelines on policy towards the large, and growing, portfolio of traded equities which the Government holds. And he would like consideration to be given to the idea of a public announcement of our policy, and plans to reduce the portfolio: such a portmanteau announcement might be a means of avoiding specific announcements in each individual case.

JOK

J O KERR

CONFIDENTIAL

SECRET



FROM: J O KERR

DATE: 3 August 1983

MR BATTISHILL

cc Mr Cassell

Sir Lawrence Airey (IR)

STOCKTAKING NOTE: TREASURY MATTERS

As a postscript to my substantive minute, I should record that the Chancellor noted that Annex B to Mrs Dunn's minute of 22 July included a reference to bank taxation as one of the "items dropped from previous note". He thought this a sensible precaution - though the Sunday Express seem to have outwitted us. But he is clear that bank taxation, like Dracula, is "undead".

A handwritten signature in cursive script, appearing to read "J O Kerr".

J O KERR

SECRET

CONFIDENTIAL



FROM: J O KERR

DATE: 3 August 1983

PS/CHIEF SECRETARY

*Pl. mark on this
the undisclosed copy list
(And I hope it was on
the copies sent out?)*

STOCKTAKING NOTE: TREASURY MATTERS

As a postscript to my substantive minute to Mr Battishill about Mrs Dunn's submission of 22 July, I should record that the following issues, listed in the submission as falling to the Chief Secretary, are ones on which the Chancellor will wish to be consulted by the Chief Secretary:-

- (a) the two coinage issues mentioned in section 4.
- (b) the question of Ordnance Survey financing, mentioned at section 10(vii).
- (c) the proposed Millbank purchase (10(viii)).
- (d) alternative Health Service finance - section 11(vii).

2. Could you alert the Chief Secretary, and bear this in mind?

A handwritten signature in cursive script, appearing to read 'J O Kerr'.

J O KERR

See attached in final page.

COVERING CONFIDENTIAL

D

FROM: MRS R M DUNN
DATE: 6 SEPTEMBER 1983

PS/CHANCELLOR

cc PS/Chief Secretary
PS/Financial Secretary
PS/Economic Secretary
PS/Minister of State
PS/Mr Middleton
PS/Sir T Burns
PS/Mr Littler
All Under Secretaries
Mr Traynor
Mr St Clair
Mr Williams
PS/Customs & Excise
PS/Inland Revenue
PS/DNS
PS/HMSO
PS/COI
PS/GAD

CABINET OFFICE "FORWARD LOOK"

In her letter of 15 July, Miss Lewis-Jones of the Cabinet Office asked for details of business likely to come forward between September and Christmas to be sent to the Cabinet Office by 9 September.

* 2. I attach a draft reply covering the Chancellor's departments which has been prepared in the usual form on the basis of contributions from Treasury divisions and from the Chancellor's other departments.

Ros Dunn

* FINAL ATTACHED

MRS R M DUNN

cc PS/CST
 PS/FST
 PS/EST
 PS/MST
 PS/Mr Middleton
 PS/Sir T Burns
 PS/Mr Littler
 All Under Secretaries
 Mr Traynor
 Mr St Clair
 Mr Williams
 Mrs R Dunn
 PS/C&E
 PS/IR
 PS/DNS
 PS/HMSO
 PS/COI
 PS/GAD



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

7 September 1983

Miss J A Lewis-Jones
 Cabinet Office
 Whitehall
 LONDON
 SW1

Dear Janet

"FORWARD LOOK"

I enclose our return showing details of business likely to come forward between September and Christmas. This covers both the Treasury and the Chancellor's other departments.

There is one other issue, not mentioned in the return, which you may wish to note: matters arising from the further exchanges with the unions on Megaw and the arrangements in this context for handling the 1984 pay negotiations may need to be referred to MISC 83.

I am copying this letter to Michael Buckley.

Yours sincerely,

Margaret O'Mara

MISS M O'MARA
 Private Secretary

TITLE/MAIN ISSUE	CABINET/ COMMITTEE/ SUB-COMMITTEE	DATE LIKELY TO GO FORWARD	DEPARTMENTS WITH A MAJOR INTEREST	PREVIOUS DISCUSSIONS	OTHER COMMENTS
<p>PUBLIC EXPENDITURE SURVEY 1983. Paper by Chief Secretary reporting outcome of bilateral discussion with colleagues, and making proposals for public expenditure in the years 1984-85 to 1986-87. Paper will include a "forward look" at expenditure prospects for 1987-88 and 1988-89 and proposed figures for civil service manpower in all years to 1988. Parallel note by Chancellor of the Exchequer on economic background to Chief Secretary's paper.</p>	Cabinet	For meeting on 20 October (or 27 October)	All departments	Cabinet of 21 July	Possible need for further consideration in a Ministerial group or groups leading to further Cabinet discussions in mid-November. Autumn Statement by the Chancellor of the Exchequer will announce expenditure decisions shortly after the final Cabinet discussion.
<p>PUBLIC SERVICE PAY AND PUBLIC EXPENDITURE IN 1984-85. Paper by the Chief Secretary proposing an assumption - to be announced immediately after Cabinet discussion - about increases in public service pay in 1984-85 as a basis for public expenditure discussions and later the preparation of Estimates.</p>	Cabinet	For meeting on 15 September	All departments	Paper promised in Chief Secretary's paper to Cabinet on 21 July (C(83)23)	The same Cabinet is expected to take a paper on public service pensions

TITLE/MAIN ISSUE	CABINET/ COMMITTEE/ SUB-COMMITTEE	DATE LIKELY TO GO FORWARD	DEPARTMENTS WITH A MAJOR INTEREST	PREVIOUS DISCUSSIONS	OTHER COMMENT
<p>PUBLIC SECTOR PENSIONS Carrying out Election Manifesto. Reforming the methods of financing of public service pension schemes, setting 'realistic' employee contributions, and negotiating changes to the Principal Civil Service Pension Scheme to make it contributory.</p>	Cabinet-follow-up work probably mainly in E(PSP)	Cabinet on 15 September	All concerned with public sector pensions but primarily DOE, DHSS, DES, HO, IR and MPO	Chancellor's Office wrote to offices of colleagues with proposals on the Civil Service Scheme in August	Detailed programme of action to be prepared if Cabinet give agreement on 15 September. Announcement to Parliament soon after reassembly.
<p>PUBLIC SERVICES (TRANSFER OF FUNCTIONS) BILL Legislation needed to facilitate Civil Service and NHS privatisation. Limits circumstances in which redundancy compensation is payable and provides for buying out of detriment.</p>	H	Probably October	All concerned with privatisation	General policy approval given by H on 17 January 1983 but this has had to be looked at again in the light of recent advice from the Law Officers	European Commission needs to be consulted. The Bill may lose its place in the legislative programme if further delays cannot be avoided.
<p>PARLIAMENTARY PENSIONS. To seek approval for the Bill to implement Parliament's decisions on the Parliamentary pension scheme.</p>	H	November or DEcember	None	-	Primarily a matter for the Lord Privy Seal but much of the work will have to be done by Treasury Officials

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. To confirm publication and consider draft of a second consultative document, setting out Government's response to the 1980 Green Paper and seeking further public reaction.	Probably E	November or December	DHSS	Discussed in Family Policy Group on 30 November 1982	Present aim is to publish "around the end of the year"
NATIONALISED INDUSTRIES BOARD PAY AND APPOINTMENTS Paper by Chief Secretary proposing legislation to change the method of appointing and fixing the pay of certain Board members and strengthening powers of dismissal and compensation; and to enable employment contracts to be offered.	E(NI)	September	All nationalised industry sponsor departments	E(NI)(83) 4th Meeting Conclusions 4	
Nationalised Industries Quarterly Monitoring Report (end June and end September)	E(NI)	September and early December	All nationalised industries sponsor departments	Regular quarterly discussions	
Strategy on the programme for privatisation and competition	An enlarged E(S)	Early October	All	Subsumes 6-monthly E(DL) review of the privatisation programme, last discussed at E(DL) in November 1982 (No discussion in May 1983 because of election)	

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REGIONAL ECONOMIC POLICY. Second report by Officials	E(A)	September	Treasury, DTI, DOE DEmp, WO, SO, NIO	MISC 14	Report recommends changes to Regional Economic Policy arrange- ments, following Ministers' remit to develop ideas in previous Report, discussed by MISC 14
ATTRIBUTION OF RECEIPTS FROM EUROPEAN COMMUNITY BUDGET	ODE	Perhaps November	Treasury, DTI, DOE WO, SO, NIO	ODE 27 July 1982	Treasury paper to advocate general principles governing non-additionality of EC receipts to domestic programmes - in the light of recent specific disputes concerning ERDF non-quota and Research and Development receipts
BUILDING SOCIETIES Consultative document on proposals for new legislation.	E	October/November	Register of Friendly Societies, DOE, <i>IR</i>		Manifesto commitment to early consultations on proposals to enable building societies to play a fuller part in supporting the provision of new housing and to bring up to date the laws which govern them

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BUILDING SOCIETIES Consultative document on proposals for new legislation.	E	October/November	Register of Friendly Societies, DOE, JR		Manifesto commitment to early consultations on proposals to enable building societies to play a fuller part in supporting the provision of new housing and to bring up to date the laws which govern them

RESTRICTED

FROM: A M W BATTISHILL
DATE: 5 OCTOBER 1983

cc Planning Board ✓
Mr Bush

ALL TREASURY UNDER SECRETARIES
MR HALL
MR ST CLAIR
MR TRAYNOR



MAP OF THE TREASURY

The Planning Board asked at its first meeting for a "map" of the Treasury, which would set out the Treasury's objectives and show how the work of groups and divisions related to them.

2. CU and EOG have now put together three possible versions designed to meet this request, which are attached and labelled A, B and C. Versions A and B have taken on board preliminary comments by Permanent Secretaries.

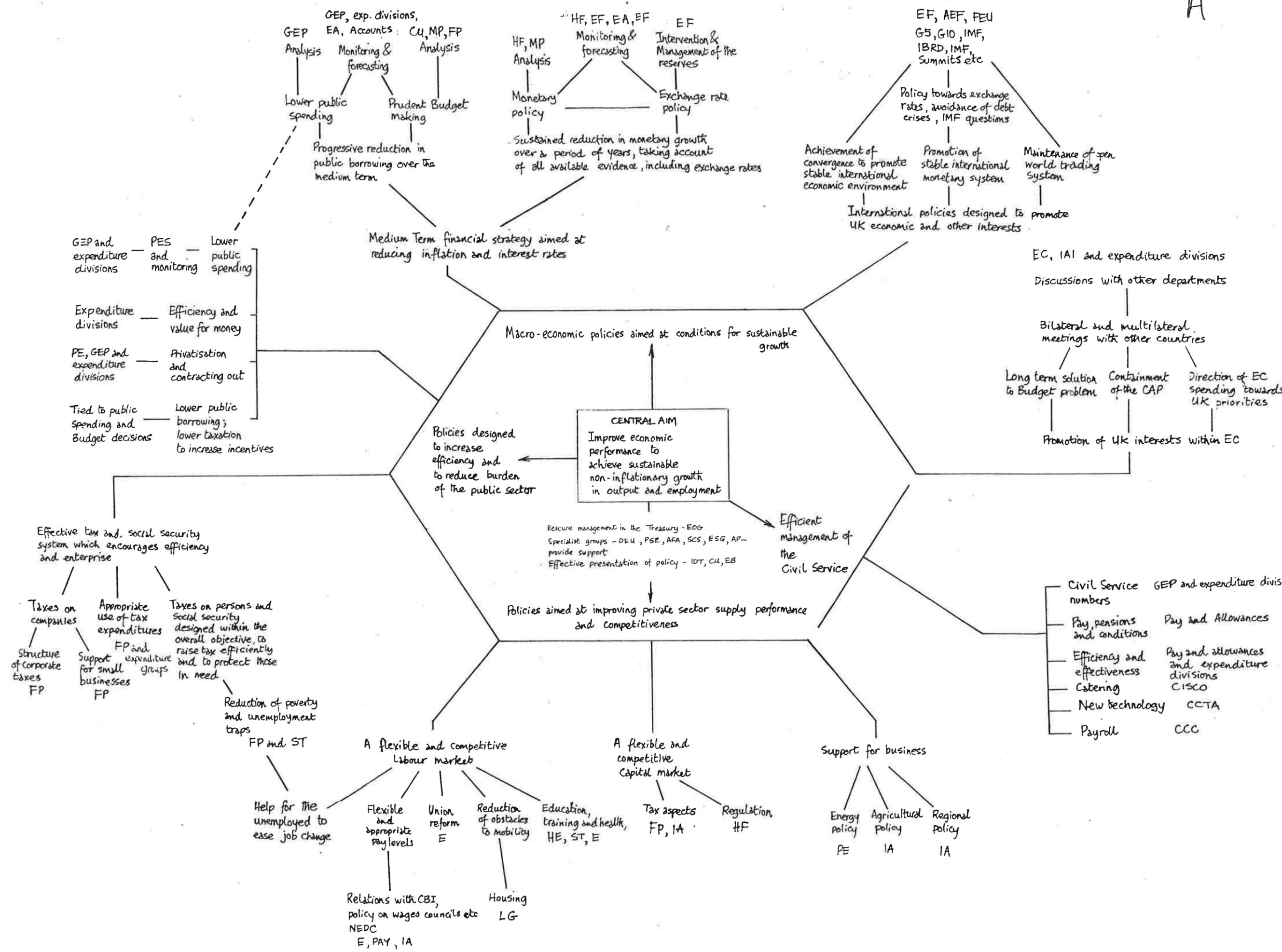
3. The A and B versions are alternative ways of laying out the same information. The third possibility, C, is much more ambitious than the other two since it aims to show a hierarchy of objectives and also, to some extent, of instruments.

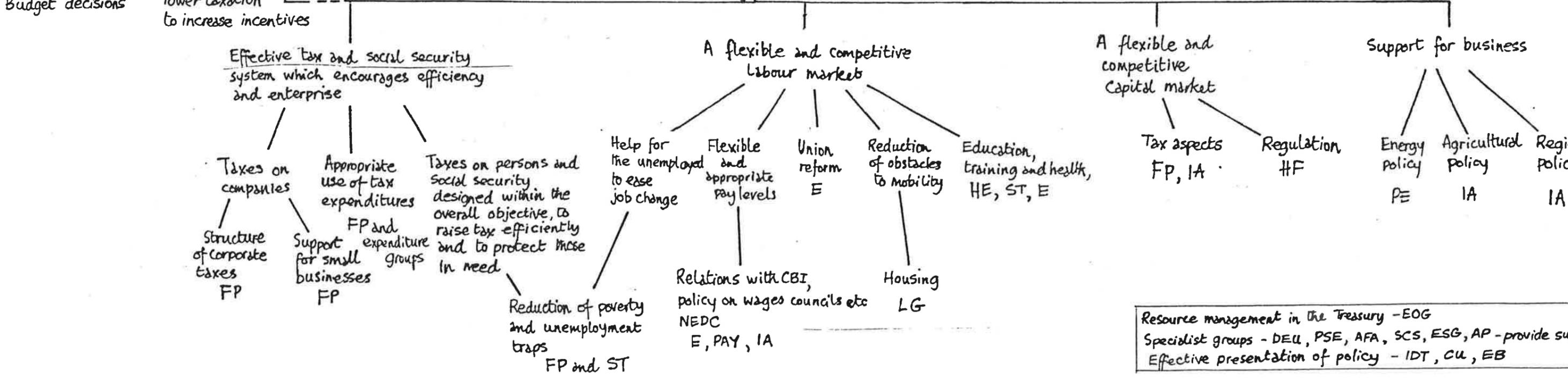
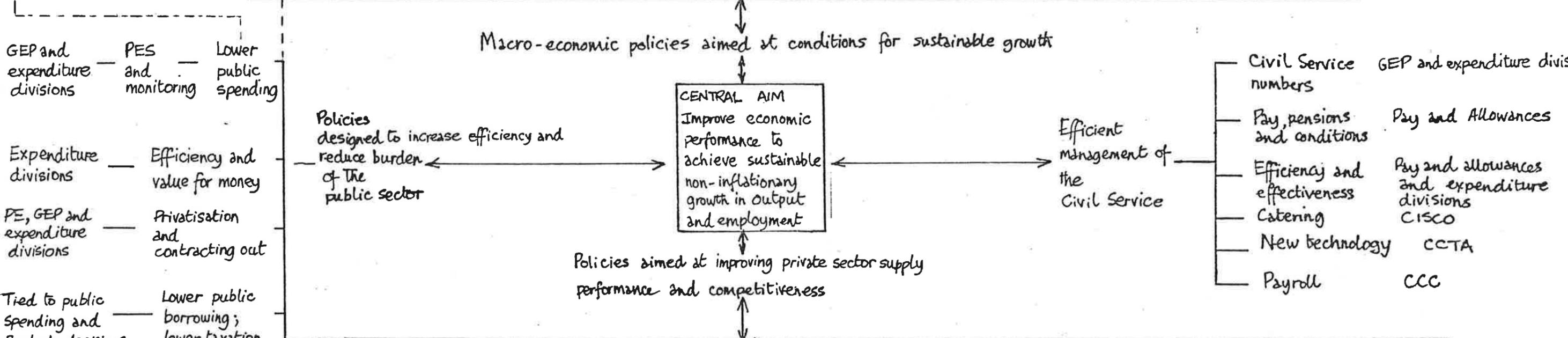
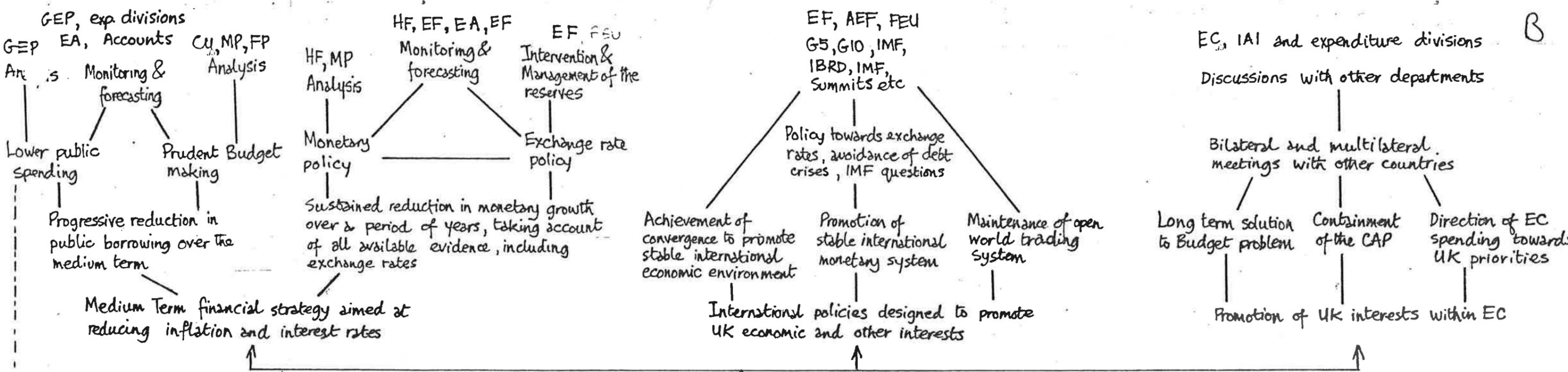
4. There is obviously considerable room for argument about all aspects of this presentation, from the structure of the maps to the way individual parts are described. However one of the benefits of putting the maps together is likely to be the process of arguing them through. The eventual objective is to produce something which shows how the organisation and its objectives fit together.

5. At a later stage we shall try to put staff figures and costs against the parts of the maps. At this stage we would be glad of comments on the versions attached, and for suggestions on how they might be improved. It would be helpful if these could be sent to Mr Gilmore and me by Thursday 13 October please. The maps will then be revised for circulation to the Planning Board.



A M W BATTISHILL





CENTRAL AIM
Improve economic performance to achieve sustainable non inflationary growth in output and employment

Policies aimed at improving private sector supply performance and competitiveness

Macro-economic policies aimed at conditions for sustainable growth

Policies designed to reduce the burden of the public sector

Flexible and competitive labour market

Healthy and competitive environment for business

International policies designed to promote UK economic and other interests

Medium term financial strategy aimed at reducing inflation and interest rates

Promotion of UK interest within EC

Policies designed to reduce the size of the public sector

Increased efficiency within the public sector

Personal taxation and social security which encourages enterprise and protects those in need

Appropriate use of tax expenditure and tax structure

Reduction of poverty and unemployment traps

FP ST

Encouragement of adjustment

Flexible & appropriate pay levels

Relations with representative bodies, NEDC, Wage Council policy

E PAY IA

Union reform

Housing Pensions Education, training

E LG ST HF HE ST

FP

Company taxation which encourages efficiency and enterprise

Structure of corporate taxes

PE IA

FP

Support for business

Sectoral policies eg. energy, agriculture, regions, and technology

Support for small businesses

FP

Flexible and competitive Capital market

Taxation policy

Market regulation

FP IA HF

Achievement of convergence to promote stable international economic environment

Policy towards exchange rates avoidance of debt crises IMF questions

Bilateral & multi lateral meetings

EF AEF FEU

Promotion of stable international monetary system

Prudent Budget making

Analysis Monitoring & forecasting

CU MP FP

Maintenance of open world trading system

Lower Public spending

Analysis Monitoring & forecasting

GEP Expenditure divisions EA Accounts

Progressive reduction in public borrowing over the medium term

Monetary policy

Analysis Monitoring & forecasting

HP MP HF EF EA

Substantial reduction in monetary growth over a period of years taking account of all available evidence including exchange rates

Exchange rate policy

Intervention and management of reserves

EF FEU

Long term solution to Budget problem

Discussions with other departments

EC IA1 Expenditure divisions

Containment of CAP

Bilateral & multi lateral meetings

PE GEP Expenditure divisions

Direction of EC spending towards UK priorities

Establishment of government priorities

PE and close monitoring of expenditure

GEP Expenditure divisions

Privatisation and contracting out

Reduce size of Civil Service

Discussions with Departments and spending bodies

GEP Expenditure divisions

Efficiency and value for money in public spending

Pay, pensions and conditions

Pay and allowances

Pay and allowances

Efficient management of the Civil Service

Cost effective introduction of new technology

Efficient support services

CCTA CIS CC

Resource management in the Treasury - EOG
Specialist groups - DEU, PSE, AFA, SCS, ESG, AP - provide support
Effective presentation of policy - IDT, CU, EB

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FROM: C RIDLEY

(MP)



INLAND REVENUE
CENTRAL DIVISION
SOMERSET HOUSE

Clarke

21 October 1983

1. MR PAINTER *9/21.10*
2. PRIVATE SECRETARY TO THE FINANCIAL SECRETARY

STOCKTAKING NOTE: MATTERS FOR MINISTERIAL ATTENTION

I attach an update of our July stocktaking note as requested.

Annex 1 reflects briefly the state of play on major Inland Revenue policy and management issues which are likely to require ministerial attention. Annex 2 records the outcome of those topics included in the December 1982 and July 1983 stocktaking notes which have been omitted from the current edition. Lastly Annex 3 lists subjects covered more fully by the Treasury stocktaking note, submitted separately, but where the Revenue have a major interest.

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all three
together.
He*

Gerry Painter

C. Ridley
C RIDLEY

cc ~~Chancellor~~
CST
EST
MST
Mr Middleton
Mr Battishill
Mr Monger
PS/Customs and Excise

Chairman
Mr Green
Mr Isaac
Mr Gracey
Mr Rogers
Mr Blythe
Mr O'Leary
Mr Houghton
Mr Beighton
Mr Taylor Thompson
Mr Crawley
Mr Vernon
Mr Moore
Mr Roberts
Mr Walton
Mr Christopher

<u>SUBJECT</u>	<u>STATE OF PLAY</u>	<u>MINISTERS' INVOLVEMENT</u>	<u>MINISTERS AND OFFICIALS IN LEAD</u>	<u>OTHER INTERESTED DEPARTMENTS</u> (Apart from Treasury)
<u>A. PERSONAL TAXATION</u>				
i. Taxation of husband wife	Prime Minister has approved proposal to publish further consultative document around the end of the year.	To consider and comment on drafts as they are submitted.	Chancellor FST Mr Isaac Mr Blythe	DHSS and DE
ii. Fringe Benefits	Future strategy to be considered in context of starters in this area for 1984 Finance Bill.	Submissions shortly.	FST Mr Blythe	DTI, D/EN, and Dept of Transport
iii Taxation and savings	Following discussions with officials, Ministers are considering future action with particular regard to life assurance and pensions.	<u>Decision awaited</u>	FST Mr O'Leary	DTI, DHSS and Registry of Friendly Societies
<u>B. BUSINESS TAXATION</u>				
i. Structure of Corporation Tax	Previous Chancellor announced in his Budget speech, following representations on CT Green Paper, no change in the broad structure of the tax. But:			
	a. two areas of GP for further review - treatment of groups and capital allowances for mineral extraction industries - announced in Budget. Representations being received. Main legislation probably 1985: some aspects 1984.	a. <u>Submission to Ministers by end of year on need for legislation</u> following review of representations.	FST Mr Beighton	DOI, D/En - later

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<u>SUBJECT</u>	<u>STATE OF PLAY</u>	<u>MINISTERS' INVOLVEMENT</u>	<u>MINISTERS AND OFFICIALS IN LEAD</u>	<u>OTHER INTERESTED DEPARTMENTS</u> (Apart from Treasury)
	b. major (unannounced) review of optimum basis for company taxation involving future of capital allowances/ stock relief/CT rate etc.	b. Already under review by Ministers.	FST Mr Beighton	?DOI, D/En, MAFF Bank and others - in due course.
ii. Taxation of International Business	Legislation dealing with "controlled foreign companies" (countering avoidance through accumulation of profits in tax haven subsidiaries) introduced in first 1983 Finance Bill but dropped on account of dissolution of Parliament. Further consideration being given to countering related devices (such as loss and profit importation) and to upstream loans problem.	<u>Draft clauses</u> containing the legislation introduced earlier this year, amended to reflect changes announced in March, <u>will be submitted for publication</u> this autumn, with a view to reintroduction in the 1984 Finance Bill.	FST Mr Taylor Thompson	Bank of England
C. <u>OIL TAXATION</u>				
i. Oil Taxation Bill	Oil Taxation Bill to be introduced end of October to enact 1983 Budget proposals on PRT expenditure reliefs and asset-related receipts.	Substantial autumn legislative commitment.	FST Mr Crawley	D/En
ii. North Sea fiscal regime review	Review in progress of (a) profitability of S. Basin gas fields to establish whether future field concessions should extend to S. Basin gas, and (b) tax implications of farmouts (other than PRT).	<u>Reports to Ministers</u> on outcome (via Mr Cassell's Steering Group) probably <u>in December</u>	FST Mr Crawley	D/EN

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<u>SUBJECT</u>	<u>STATE OF PLAY</u>	<u>MINISTERS' INVOLVEMENT</u>	<u>MINISTERS AND OFFICIALS IN LEAD</u>	<u>OTHER INTERESTED DEPARTMENTS</u> (Apart from Treasury)
iii. ICI case on S. 134, FA 1982 (ethane valuation)	Further procedural hearing likely in December. Possible links with EEC Commission enquiry into petrochemical feedstocks.	It is possible that <u>questions on handling will arise</u> which require Ministerial consideration.	FST Mr Crawley	D/En, DTI, SO, Law Officers, FCO, Treasury Solicitor
D. <u>STAMP DUTY</u>				
Review	Consultative document issued in March. Responses under consideration.	<u>Decision on timing and content of legislation needed.</u>	FST Mr O'Leary	DoE, and Bank of England
E. <u>OTHER POLICY ISSUES</u>				
i. Rates	White Paper setting out Government's intentions on future of rating published. Consultative document on domestic rates being prepared.	<u>Involvement through Cabinet</u>	Chancellor CST Mr Houghton Mr Christopher	DoE
ii. Assessment and collection arrangements for businesses:	a. Ministers have approved in principle the issue of a discussion document on possible reforms of Schedule D. This will include partnership avoidance. Will need to take account of Government's attitude to the Keith Committee Report (see v. below).	a. <u>Report to Ministers by end of year.</u> Will require consideration of document and decision on publication.	FST Mr Rogers Mr Beighton	
a. income tax; and				
b. corporation tax	b. Internal study of CT self-assessment including field test.	b. <u>Report to Ministers early 1984.</u>	FST Mr Rogers Mr Beighton	

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<u>SUBJECT</u>	<u>STATE OF PLAY</u>	<u>MINISTERS' INVOLVEMENT</u>	<u>MINISTERS AND OFFICIALS IN LEAD</u>	<u>OTHER INTERESTED DEPARTMENTS</u> (Apart from Treasury)
iii. Data Protection legislation	Data Protection Bill introduced in Lords on 23 June. 2nd Reading 5 July. Aim is to complete Commons Committee Stage by end of December.	<u>Possible continuing involvement on scope of exemptions for Revenue departments</u>	CST Mr Painter	Home Office in lead. Most other departments interested.
iv. Keith Committee on enforcement powers	Reports Vols 1 and 2 published 23 March 1983. Publication of Vol 3 expected about January 1984.	<u>Rest of 1983: take public reaction by consultation.</u> 1984: decision on working up proposals for legislation (? publish draft clauses). 1985 and 1986: possible legislation.	Chancellor, FST (IR aspects), MST (C/E aspects), Mr O'Leary Mr Houghton (CTT, DLT)	Customs and Excise and possibly Lord Chancellor's Department
v. Cork Committee Report on Insolvency	White Paper proposed for early 1984. Interdepartmental Committee has just started work.	<u>Major tax question: future of Crown preference.</u>	FST Mr O'Leary	Customs and Excise, DHSS, and DTI
vi. Charities	Possible review of giving tax relief for (single) donations. Also, possible Treasury working party on policing of charity tax relief generally.	<u>Submission to Ministers 1 July 1983.</u> Meeting of 13 July authorised proceeding along lines recommended. Revenue officials meeting with USA and Canadian officials at present time.	FST Mr O'Leary	Home Office

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<u>SUBJECT</u>	<u>STATE OF PLAY</u>	<u>MINISTERS' INVOLVEMENT</u>	<u>MINISTERS AND OFFICIALS IN LEAD</u>	<u>OTHER INTERESTED DEPARTMENTS</u> (Apart from Treasury)
vii. Composite rate for bank interest	Currently being studied at Ministers' request, primarily in view of potential substantial staff savings. (Main problem areas are non residents and non liables.)	Submission to FST shortly (end October).	FST Mr Crawley	Treasury. Bank
<u>MANAGEMENT</u>				
i. Manpower	Ministers will continue to be involved in discussion on the policy measures necessary to achieve 1988 target.	<u>Continued involvement as necessary.</u>	FST Mr Moore Mr Green Mr Isaac	
ii. Review of Government Valuation Services	Report submitted to Chancellor on 12/8/83. Further report on charging also to be considered.	Comments awaited from Minister for the Environment and other Ministerial colleagues.	FST Mr Gracey Mr Christopher	DoE (especially PSA), MAFF, MoD, SO, Home Office, WO, and others.
iii. Rayner Scrutiny: PAYE End of Year Procedures.	Management response made July 1983. The Chancellor has indicated that on political grounds he does not favour implementation.	Note to FST 19 October 1983.	FST Mr Roberts	
iv. Financial management	Departmental response submitted to Ministers January 1983 now being implemented and developed, White Paper published by MPO in September with summary of Revenue plans.	Ministers to consider progress report on FMI in due course.	FST Mr Moore	MPO

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<u>SUBJECT</u>	<u>STATE OF PLAY</u>	<u>MINISTERS' INVOLVEMENT</u>	<u>MINISTERS AND OFFICIALS IN LEAD</u>	<u>OTHER INTERESTED DEPARTMENTS</u> (Apart from Treasury)
v. Single head accounting for IT-PAYE and NIC (Review of Collection Service)	Review of implications for forecasting and monitoring revenue and for management of the National Insurance Fund continuing. Implementation date uncertain.	Submission in autumn.	FST Mr Gracey Mr Walton	GAD, DHSS and DHSS (NI)
vi. Possible privatisation of Kew Sorting Centre.	Staff informed: discussions proceeding with contractors; review to improve efficiency of in-house operation under way.	Decisions will be needed when full costings available.	MST Mr Vernon	MPO

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ITEMS DROPPED FROM NOTE COMPILED IN DECEMBER 1982

MANAGEMENT	i.	Review of Collection Service	Following negotiations with the Union some minor revisions to the original plans were made. FST has been informed and is content. Implementation is now in hand.
	ii.	Review of Personnel Work (Rayner)	Central Report published 14 July 1983.
	iii.	Review of PAYE records	Ministerial approval July 1983 Implementation planned November 1983.
	iv.	Black Economy: redeployment	Ministerial decision on redeployment reached October 1983.

ITEMS IN TREASURY STOCKTAKING NOTE WHERE REVENUE HAVE MAJOR INTEREST

- i. Personal taxation - number of issues, including NICIT
- ii. Select Committee on Procedure (Finance) - Report includes recommendations for split Finance Bill.
- iii. Finance Bill/Budget 1984 - Starters List/preliminary papers.

10:30 PM 9TH.



*Thanks
Re X, Ys - we
might need to discuss
an extra bilateral
of this.*

(PWT)

*of. for Chancellor
next "bilateral" with
Mr. [unclear]*

From: P E MIDDLETON
Date: 14 November 1983

CHANCELLOR

cc Mr Bailey
Sir T Burns
Mr Littler
Mr Battishill

*(As for my
update)*

KEY AREAS

on which you might concentrate
In my minute of 17 June I suggested five key areas/- and I reported on them in my note of 28 July. Quite a lot has happened since then, including a new Ministerial team in the Treasury. So, now the expenditure round is out of the way, you might like a note on the state of play.

2. There are five annexes to this report. They cover:

- the redefinition of the strategy:
- policy towards state industry
- taxation
- the Community budget
- the civil service.

One, on the civil service, has been added since my original note. Mr Anson's minute of 21 October and its attachment covers supply side measures and measures to make labour and product markets more efficient. I have not included a separate annex on this subject.

3. As before I have said nothing about spending control on which the Chief Secretary takes the lead and which underlies all the others. But I regard the work we have set in hand on non-cash limited expenditure as quite fundamental. And a successful launch of the long term public expenditure exercise is also very important.





4. On the key areas:

(a) The Strategy

I doubt whether there are any doubts about your firmness of purpose and more generally about the credentials of the new Treasury team. July 7th, the Mansion House Speech and the lead up to the Autumn Statement have done this. Assuming the Autumn Statement itself goes well, your first objective of establishing continuity and command have been achieved.

But there is still a lot to do. Over the weeks to Christmas we shall be developing the monetary and fiscal parts of the strategy as a basis for our discussions at Chevening - on which I have sent you a separate note.

(b) State Industries

Momentum for change in the state industries is being maintained, through the privatisation programme. But it is clear that we have a major problem on our hands about energy pricing - with the Gas and Electricity Chairmen seemingly asserting their right to fix any prices they feel like. We need to decide how we are going to tackle this. Meanwhile, much more work and thought is needed on how to ensure that the fullest possible competitive pressures will face BT, British Airways and others as they are privatised. We are considering the effects on the capital markets and on our funding needs of the substantial sales planned for next year, and also how asset sales be shown and how they should influence the PSBR path to be shown in next year's MTFS.

(c) Tax

We have had a number of discussions about taxation. Progress will require difficult decisions and a programme of action spread over more than one Budget. But we must also take advantage of next year's Finance Bill to make changes where we can, with the longer term objectives in mind. The Financial Secretary will no

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doubt be devoting a major part of his time to all this over the next few months.

(d) Labour Market and the Supply Side

7
We have to keep plugging away at this; Ministerial arrangements offer the best prospect of success.

(e) The Community Budget

This not only takes a disproportionate amount of scarce resources in the Treasury and elsewhere. It is also going very badly. We aim to sort out our tactics this week.

(f) The Civil Service

And, finally, the Civil Service. This is one of the relatively few areas where the Treasury has direct responsibility for results. Progress is being made on costs and numbers. We need to ensure that the FMI increases efficiency and does not become a way of inventing new demand related expenditures. Early retirement, merit pay and the like are becoming important.

X 5. Perhaps we could have a word about this at one of our bilaterals.



P E MIDDLETON

ISSUES IN THE REDEFINITION OF THE STRATEGY

This note sets out the changes which have been foreshadowed in recent discussions about the redefinition of the strategy and some of the issues which will arise in the reformulation of the MTFS at budget time.

Aims and Objectives

2. The aim of the MTFS remains to set out the framework within which macroeconomic policy operates. The object is to prevent a resurgence of inflation and to continue the kind of financial policies which will keep the actual rate of inflation - and inflationary expectations - coming down. This does not necessarily mean specifying an explicit objective for inflation, although the 1983 MTFS did give annual figures for the growth of the GDP deflator. It also quoted average growth of money GDP over the 3 years covered.

3. It remains to be considered whether this format should be adopted for the 1984 MTFS

- the extent to which the figures for inflation, output and money GDP should be described as assumptions (as last year) or given rather greater prominence as expectations and implicitly objectives
- what period they should cover
- and, of course, what the numbers should be.

The Mansion House speech suggests that policies to be pursued should be consistent with a gradually declining path for money GDP growth, and some further decline in inflation. There is a strong case, for extending the period covered to 4 or 5 years.

Fiscal Policy

4. The aim is to reduce the PSBR as a share of GDP over the medium term. Further consideration needs to be given to the

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appropriate path and how this is presented. The July framework paper sets out one approach based on the relationship between the stock of public sector debt and GDP. It will be necessary to consider what adjustments, if any, need to be made to the numbers for factors affecting the relationship between the PSBR and the underlying demand for public sector debt, such as cyclical fluctuations in activity and private current demand, asset sales, and the indexation of existing debt (IGs). We shall also need to consider the link with objectives for the monetary aggregates and funding policy, as well as the implications for interest rates.

5. The present prospect for 1983-84 is that the PSBR ratio will remain at about the same share of money GDP as it was in 1981-82 and 1982-83. Present indications are that tax increases will be necessary to get back to the MTFIS path set out last March, though of course there are great uncertainties, and further information may alter the picture. The arguments for keeping to the existing PSBR path will have to be weighed against those for limiting any increase in taxes.

Monetary Policy

6. A change in the way the monetary objectives are set out has already been foreshadowed in the Mansion House speech. The focus will remain on keeping monetary growth within specified target ranges, but it is now envisaged that the different roles of broad and narrow money will be made more explicit.

Broad money is relevant mainly in the context of funding policy, given the PSBR. The broad aim of funding policy will continue to be to fund the PSBR by raising finance outside the banking system from the non-bank private sector and overseas. There may be occasions when funding ought to be either higher or lower than the PSBR but over the medium term there should be no systematic tendency either to overfund or underfund the borrowing requirement.

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Narrow money is relevant mainly in the context of interest rate decisions. Greater emphasis will be given to a non-interest bearing aggregate, probably M0 or notes and coin, as an indicator of narrow money.

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And in all probability we shall now move away from giving one target range for all aggregates.

7. Within this general framework we need to consider

- whether M0, say, should replace M1 or merely be listed as another indicator of narrow money. The present thinking points towards two target aggregates, M0 and £M3
- if there is more than two aggregates whether separate ranges should be given for narrow money and broad money, or for each aggregate specified
- how much to say about structural change, which affects all the aggregates
- how much to say about the effects of prospective changes in interest rates on the narrow aggregates, given that the effects may well be rather small for M0
- what, if anything, to say about M2
- the precise numbers.

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Exchange Rate

8. The Mansion House speech reiterates the importance of the exchange rate in interpreting monetary conditions and as part of the transmission mechanism to lower inflation. But it also

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states clearly that there will be no target for it, nor will there be rules linking it to the behaviour of other indicators.

9. By implication, membership of the EMS is ruled out, at least for the present. The case for joining the EMS is much stronger than before but there is still some concern about the stability of EMS and a decision can not be taken given the political problems over our contribution and the possibility of withholding.

10. A treatment in the text similar to that in last year's MTFS is indicated.

Presentation

11. The presentation of policy will stress the aim to continue with the broad strategy pursued so far. After the Mansion House speech, there will be occasions when it may be appropriate to provide further clarification of this. The budget speech will set out in detail the basis for the decisions on monetary targets and the PSBR in 1984-85. The MTFS has in the past treated the numbers given for later years as illustrative, and subject to change in future budgets according to circumstances of the time. The extent of discussion in the MTFS of the criteria for departing from the illustrative numbers has to be decided, but in the past has been very limited.

KEY AREAS: GOVERNMENT POLICY TOWARDS STATE INDUSTRIES

Privatisation & Competition

1. Privatisation combined with increased competition is a major plank in the Government's economic strategy. Treasury Ministers have endorsed the approach on these issues set out in papers circulated in the summer. The departmental response to the Chancellor's request has been disappointing and the Treasury will have to make a major effort to ensure that privatisation does lead to increased competition. The priority task is to develop a full programme on the basis of this approach to cover all possible candidates for privatisation in this Parliament. E(A) agreed on 28 October a Treasury paper and authorised the Financial Secretary to have a round of bilaterals with the main sponsor Ministers. This should provide the basis for a programme for Ministers to discuss collectively early in the New Year.

2. Other work relating to privatisation as a whole includes:

- (i) a review of the methods of appointing advisers. A PE paper has now been agreed by Treasury Ministers. It will shortly be discussed with sponsor Departments in NIP and thereafter the intention is to issue advice round Whitehall;
- (ii) a paper discussing whether the stewardship function over residual Government shareholdings should be centralised in the Treasury or spread among Departments as at present. We shall be putting up advice within a few days;
- (iii) the presentation of privatisation. There is very considerable Press interest. An appreciable effort has been put into briefing a range of journalists (and also in preparing speech material) in order to promote a better understanding of the underlying rationale of privatisation.



MEMORANDUM FOR THE DIRECTOR, FBI

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3. On specific industries:

- a successful sale of BP shares was completed in September;
- a sale of 20 per cent of the Government's shareholding in Cable & Wireless is planned for later this month; work is in hand;
- preparatory work aimed at a flotation of Enterprise Oil (BGC's offshore oil assets) in Spring 1984 is underway;
- further ahead (autumn 1984) but extremely time-consuming: the privatisation of BT and the associated problems of liberalisation and regulation;
- privatisation of BA: most likely timing is Spring 1985 but if need be might be brought forward to substitute for BT.

Industries remaining in the State sector

4. The need here is to maintain and, where necessary, strengthen the framework of control. Specifically:

- coverage of long-term objectives and performance aims is gradually being extended (but progress is slow); PEAU are working on a review of performance aims;
- financial targets are in place but need periodically to be reset at appropriate levels (which involves agreement, inter alia, on pricing);
- tight EFLs for 1984-85 have now been provisionally agreed for all the industries (but there is a legacy of unresolved issues concerning gas and electricity pricing).
- the system of monitoring expenditure in the current year is much improved with better information available to

Departments and improved handling (through computerisation) within PE. Forecasts of expenditure are still unreliable: we now have quarterly profiles but the industries need to put more effort into the figures;

- Performance Reviews & Corporate Plans: we have been reviewing existing procedures with Departments (and also with NICG) to ensure greater concentration on strategic issues. Proposals will be put to Ministers shortly;
- Efficiency: we must ensure that an adequate programme of MMC references is maintained and that the industries come up with a convincing proposal for introducing VFM audit;
- Statutory changes: we shall shortly be consulting Ministers on the priority for and scope of a Bill seeking desirable changes in coverage of statutory borrowing limits; power to raise private finance; power to clawback surplus funds; power to set financial targets; control and privatisation of subsidiaries.

5. Of the 4 major loss-makers:

- NCB: the overriding issue is how quickly action can be taken to close uneconomic capacity;
- BR: Ministers have now taken the initial decisions on the Serpell Report. The need is to ensure that BR make the cost savings required to achieve the target reduction in the level of subsidy by 1986; and put forward positive proposals about bus substitution in place of the most unprofitable lines;
- BSC: continued good progress towards cost reduction and demanning, but its financial position remains weak as continued world over-capacity in steel erodes the price regime within EEC.
- BS: the need is to close unprofitable yards. The plan to be submitted shortly by the new Chairman should tackle this.

Pricing Policy & Return on Capital

6. There are 3 interrelated issues. First, there is the question of whether prices are appropriately based on long-run or short-run marginal cost. Secondly, there is the question of how long-run marginal costs are to be estimated and what kind of relationship they bear to the accounting system. Thirdly, there is the question of ensuring an adequate return on assets, particularly for industries which will soon have repaid all their Exchequer debt.

7. The first two questions are the most urgent. They directly affect the current debate on the correct level of energy prices (particularly gas and electricity) and have important consequences for the level at which financial targets for both industries should be set. The immediate need is to ensure that short-term decisions do not close any longer-term options and also that they deliver adequate public expenditure savings. Longer term we shall need detailed discussions with the Department of Energy on the basis of fuller information provided by the industries. PEAU will continue to be much involved with PE in this.

8. The longer-term issue of ensuring appropriate rates of return is related to both the assets and liabilities sides of the industries' balance sheets. The payment of a "dividend" related to the financial target would avoid the accumulation of excess funds which can weaken the discipline of investment appraisal. (Interest payments on NLF borrowing are falling rapidly in real terms). Mr Byatt has been holding a series of meetings with outsiders on these issues (academics, economists and accountants) and will be following up the ideas in the PEAU "General Comparable Financial Pressures" paper in relation to electricity and later the water industries. Stopping backtracking on CCA accounting in the profession, and in nationalised industries in particular, is a current issue.

KEY AREAS: TAX POLICY ISSUES

Work in this area has gradually begun to focus on a number of specific possibilities for change, taking particular account of

- profitability and liquidity in industry;
- the balance between in work and out of work income;
- the balance between taxes on labour and on capital; and,
- the balance between different forms of saving.

The more specific work follows wide-ranging reviews in a number of areas. It has so far tended to concentrate on the last two of these considerations, and is of course necessarily constrained to some extent by shorter-term factors.

Progress/work so far

2. A major study by Inland Revenue/Treasury officials on the Taxation of Savings and Investment was completed in August. This identified a number of major distortions, illustrated by the wide range of "tax wedges" on different types of investment, and raised some fundamental questions for Ministerial consideration. A number of practical distortions were highlighted. In the savings field, these included the preferential tax treatment of life assurance, and of pension funds; and tax reliefs for owner-occupation. On the raising of company finance, the paper asked whether more work should be done on alternative corporation tax (CT) systems which would be more neutral as between retentions and distributions, and between debt and equity. If so, should this be done through restricting the deductibility of interest; a change in the CT system involving more favourable treatment of dividends; or, a lower rate of CT itself? On investment in assets, alternatives to the present capital allowance system - to reduce the discrimination in favour of plant and machinery - were considered.

3. Since this paper was completed, the Chancellor has asked the Financial Secretary to consider the corporate tax side. Work has been proceeding on that (including the possibility of financing the abolition of NIS by reducing capital allowances in order to improve the balance between taxes on labour and capital) and a paper has been submitted to the Financial Secretary.

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4. With the changes made in recent Budgets, and in the forthcoming Oil Taxation Bill, the overall structure of North Sea taxation now seems reasonably satisfactory - both to Government and the industry - but a number of quite important problems remain (eg tax losses arising from farm-outs) which are being examined.

5. On the savings side, a number of remits emerged from a recent meeting with the Chancellor - on tax reliefs for life assurance, pensions, and gilts and national savings - though these stop short of the more radical proposals put forward in the Taxation of Savings and Investment paper.

6. On the personal tax side, the work of the Meacher group identified a number of important problems on the balance between in work and out of work income, eg concerning the poverty and unemployment traps. The increased emphasis by Ministers on raising personal tax allowances rather than reducing income tax rates probably reflects these considerations. But it has been recognised that the only real solution to these problems is a reduction in the tax burden, and progress towards that is bound to be slow. One merit of the work done for Meacher, however, is that it has highlighted the need for action on the tax side to alleviate the poverty/unemployment traps to be accompanied by changes on the benefits side.

7. In other areas of personal tax, some work has been proceeding mainly on the initiative of the ex-Financial Secretary. Examples are his work on NICIT and a social welfare tax. Other work on the personal tax side includes treatment of the self-employed (eg the Schedule D/Schedule E distinctions). But the Chancellor has not been attracted by most of the structural changes proposed.

8. There have been two important developments which have quite important implications for the tax base. The first possibility being considered is the extension of VAT base. An FP/Customs and Excise paper submitted to the Chancellor in July and discussed by him recently, looked at the options for imposing VAT on currently zero-rated goods and services, and included the possibility of introducing the VAT at a reduced rate. A complicating factor is that the EC are challenging some of our zero-ratings (in particular non-domestic construction and agricultural inputs) and a decision to institute Infraction Proceedings is possible by the end of the year. This could affect the scope and timing of any measures to extend the VAT base.

9. Secondly a Working Group has been examining the case for and against imposing a higher burden of tax on banking and banks. The proposals fall into two broad categories:

- (a) widening the indirect tax base (for example by a tax on value added or consumer credit) to cover services provided by banks or financial institutions generally;
- (b) higher direct taxation of the banks themselves as opposed to the services they provide.

The Group will shortly be reporting to the Financial Secretary.



The future work programme

10. The urgency of work depends on whether it leads to any proposals for the Budget. But the decisions which need to be taken soon include:

- 
- corporate tax, because it would take time to get major changes on capital allowances, etc discussed and worked out.
 - VAT, where, if any action is to be taken in the 1984 Budget detailed preparatory work, including consultation with other Departments will need to be set in hand very soon. And there are EC complications, with their own timetable.
 - Tax on savings and investment, where arrangements are being made for urgent work being set in hand on the personal tax side to parallel the Financial Secretary's review of the company tax side, so that the Chancellor can then discuss the two reviews together.
 - Bank taxation.

EC BUDGET PROBLEM

Objective. To achieve a definitive resolution of the Community budget problem which will limit the burden on UK taxpayers and the balance of payments to something fairly modest and open the way for progress in the Community and easier relationships between the UK and other European countries.

2. Nature of the problem. The UK's gross contributions to the Community budget exceed our receipts (excluding budget refunds) at present by £1 billion - £1¼ billion a year. The UK sustains further losses outside the budget, running at some £130-200 million a year, by importing food from other Member States at Community support prices rather than world prices. Our net budget contribution is likely to increase with the enlargement of the Community to include Spain and Portugal, the development of Mediterranean programmes and other policy developments. Most other Member States want an increase in the Community's total revenues which would be likely further to exacerbate the problem.

3. Progress so far. The Government has negotiated ad hoc budget refunds for 1980-83. These have been equivalent over the period as a whole to slightly less than two-thirds of our uncorrected net contribution to the allocated budget. Meanwhile, Community spending has risen to the point where it is now using up virtually all the revenues available to the Community. This has intensified demands by other Member States for the earliest possible increase in the own resources ceiling. The Prime Minister said at Stuttgart in June that the UK was prepared to consider this but only if agreement was reached on (a) strict control of agricultural and other expenditure and (b) a lasting solution to the problem of budgetary imbalances. The UK has since put forward ideas in the Community for safety-net limits on net contributions, a strict financial guideline for agricultural expenditure and priorities for policy developments. Negotiations have been proceeding in the Special Council. There is a consensus that there should be a lasting solution to the problem of budgetary imbalances and that it should be influenced on the revenue side of the budget. But there is still a wide gap on the measurement of that problem and of the size of correction.

1. The first part of the document discusses the importance of maintaining accurate records of all transactions. It emphasizes that every entry should be supported by a valid receipt or invoice to ensure transparency and accountability.

2. The second section outlines the procedures for handling discrepancies between the recorded amounts and the actual cash flow. It suggests a systematic approach to identify the source of the error and correct it promptly to avoid any financial misstatements.

3. The third part of the document addresses the role of internal controls in preventing fraud and misappropriation of assets. It highlights the need for a strong internal control system that includes segregation of duties and regular audits.

4. The fourth section discusses the impact of external factors, such as market fluctuations and regulatory changes, on the organization's financial performance. It advises the management to stay informed and adapt their strategies accordingly.

5. The fifth part of the document focuses on the importance of timely reporting and communication of financial information to the relevant stakeholders. It stresses that clear and concise reports are essential for informed decision-making.

6. The final section concludes by reiterating the overall goal of the document: to provide a comprehensive guide for managing the organization's finances effectively and ethically. It encourages the management to uphold the highest standards of financial integrity.

4. Task ahead. We need to obtain a safety-net arrangement which will provide an assured and lasting solution to the UK budget problem, together with the strictest possible controls over agricultural and other expenditure, without conceding more than a modest increase in own resources. These are the UK's objectives in the post-Stuttgart 'future financing' negotiations.

KEY AREAS - THE CIVIL SERVICE

A key objective for the Government is to achieve a Civil Service that carries out the tasks required of it to the standard required and at minimum cost.

2. A number of pieces of work are in hand in the Treasury, in consultation as appropriate with the MPO and other departments, aimed at helping to secure these objectives. They include the following :-

Civil Service Numbers

a. The Government are on course to meet the 630,000 manpower target by 1 April 1984. Plans showing further reductions in numbers over the period up to 1988 to be announced with the Autumn Statement.

Privatisation and Contracting-out

b. The Treasury are working on preparation of guidance for departments on the steps to be taken when contracting-out a service or privatising a function.

c. Steps are being taken to try to limit the circumstances in which redundancy compensation may be payable and so to reduce the costs of privatisation and contracting-out proposals. The room for manoeuvre is constricted by the EC Acquired Rights Directive.

d. The disincentive to contracting-out caused by the fact that currently Government departments (and health authorities) cannot reclaim VAT on charges for such services will be removed from 1 September this year.

e. The Treasury continue to encourage and advise departments in the context of specific privatisation and contracting-out proposals; current examples are preparing the Royal Ordnance Factories for sale to the private sector and the proposed contracting-out by the Inland Revenue of the work done at the Kew Postal Sorting Office.

Handwritten notes in red ink:
A scribble with arrows pointing to the text in paragraph c.
The text "4/84?" is written below the scribble.

100



MANAGEMENT IN CONFIDENCE

Management of Resources

f. In September the White Paper on Financial Management in Government Departments (Cmnd 9058) was published; this was a progress report on the initiative launched by the Prime Minister in May 1982 to improve the allocation, management and control of resources throughout central Government, with a view to supporting Ministers and Senior Officials in setting objectives, establishing priorities and allocating resources. The public expenditure side of the Treasury and the MPO will continue to monitor progress as implementation proceeds so as to ensure that momentum is not lost and ideas and best practice must spread amongst departments.

g. The Treasury are considering proposals from departments for increased delegations where this can be done without endangering public expenditure control or the necessary maintenance of Service-wide standards.

Pay

h. Negotiations continue with the unions towards new long-term arrangements for determining the pay of non-industrial civil servants based on the Megaw Report published in July 1982. Important issues divide the two sides and it is not clear whether the gap can be bridged in an acceptable way.

i. Separate talks will be opening shortly with the unions representing the industrial grades on new pay arrangements for them. One matter to be explored will be the possibility of local pay rate flexibility.

j. Pay negotiations in 1984 will be on an ad hoc basis. However in the case of the non-industrialists the Government has offered to consider the possibility of some generalised data collection on the pay movements in the private sector as background to negotiations; discussions about the form and nature of this data collection are continuing.

MANAGEMENT IN CONFIDENCE

k. It was announced in September that public expenditure plans for 1984-85 would include an aggregate provision of 3 per cent for the effect of increases in rates and allowances resulting from future pay settlements for those groups for which the Government is directly responsible. The Civil Service unions have been assured that this does not represent an arbitrary limit and there will be genuine negotiations over pay next year. But they have also been told that the 3 per cent is a meaningful and important indication of cost considerations, and one which must be given full weight.

l. Measures dealing with circumstances should industrial action over pay (or anything else) become a possibility remain under review.

Management Structure

m. The Treasury are closely associated with the MPO (who are strictly speaking in the lead) in producing proposals designed to establish a stronger link between pay and individual performance so far as non-industrial civil servants go. It is likely that a proposal involving pilot experiments will come forward to Ministers shortly.

n. Unified grading (accompanied by unified pay) at Assistant Secretary and Senior Principal levels will come into effect from 1 January 1984. This should encourage greater flexibility in the deployment of staff and open up wider opportunities for those with professional and technical backgrounds. The possibility of a further extension downwards of unified grading is under consideration, but the chances of this being pursued, at least in the near future, seems slim.

o. A number of possibilities are being considered of achieving a better balanced workforce in terms of age and ability to meet the Civil Service current and future requirements, against the background of the cut-back in Civil Service numbers and diminution of promotion prospects which resulted. These steps would include a further encouragement of early retirement.

MANAGEMENT IN CONFIDENCE

p. The possibility of putting the Civil Service Pension Scheme onto an overtly contributory basis is being considered.

New Technology

q. Work continues on spreading the use of new technology throughout the Civil Service. In addition to large computer and medium projects (eg the computerisation of PAYE), effort is going into speeding up the introduction of micro computers and word processors. A current review of the future role and organisation of the CCTA will be completed by the end of the year.

Nigel
Can you check pt 200
This is getting on the ground
Paul
M.

CONFIDENTIAL



CABINET OFFICE

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

Reference No: E D364

b/f 22/12 pt.

CH/EXCHEQUER	
REC.	28 NOV 1983
ACTION	Mr Bathishill CSI, FSI, MSI, EST
COPIES TO	Mr Middleton, Mr Bailey Sir T. Burns, Mr Anson Mr Liddle, Mr Wilding Mr Kemp, Mr Cornett

25 November, 1983

Mr Gilmore

Dear Private Secretary,

I should be grateful for details of business likely to come forward between January 1984 and the Easter Recess (end of March).

2. Please include both Economic and Home and Social Affairs business. The return should cover Cabinet and the following Cabinet Committees: ES, EX and H; Sub-Committees of ES: E(A), E(DL), E(LA), E(LF), E(NI) and E(PSP); and also MISC 66, MISC 83, and MISC 95.

3. For each item we should like to know:

(i) brief title, with a few words to indicate the main issues;

(ii) the relevant Committee, Sub-Committee, or Group (or Cabinet):

(iii) when it is likely that discussion can take place (taking account of the 'seven day' rule);

(iv) other Departments having a major interest, especially for joint papers;

(v) reference to previous Committee or Cabinet discussions, where appropriate;

(vi) any special considerations affecting timing or other relevant information.

4. Please include, as usual, only those items likely to require collective discussions during the period: items which can be cleared in correspondence or which are unlikely to materialise should not be included. Experience with the last Forward Look exercise suggested that Departments generally could help us to plan business more reliably if they were prepared to apply these criteria more robustly.

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5. Please send a copy of your reply separately to Chris Brearley here. Replies should reach us by close of play on Thursday 29 December at the latest. If your Department does not expect to have any business, please send a nil return.

Yours sincerely,

A handwritten signature in blue ink that reads "Michael Buckley". The signature is written in a cursive style with a horizontal line under the name.

M S BUCKLEY.

(HCG)

FROM: H C GOODMAN
DATE: 29 NOVEMBER 1983

ALL UNDER SECRETARIES

cc Principal Private Secretary—
Mr Middleton
Mr Folger
Mr Hall
Mr Ridley
Mr Norgrove
PS/Inland Revenue
PS/Customs & Excise

STOCKTAKING NOTE AND FORWARD LOOK

In order to minimise work on these two exercises it has been decided to request contributions for both at the same time.

Stocktaking Note

2. The format of this Stocktaking Note will be similar to that of the last one produced in July by my predecessor Mrs Dunn.
3. Annex A should consist of major items requiring Ministerial attention between January and end-July 1984. I attach below a reminder of a sample page from the last note and a proforma for this one. It would help in collating the note if these proformas could be used. I attach also an index for the Note. The Note can be more clearly set out if Groups indicate under which general heading they would wish to classify their particular items.
4. Annex B will, as usual, consist of those items which have been dropped from the previous note together with the reason for dropping. Attached is a sample page and a proforma.

Forward Look

5. Cabinet Office have requested material for their "Forward Look" exercise. The purpose of this exercise is to produce a report of business likely to come forward between January 1984 and the Easter Recess (end of March).
6. I would be grateful if you could include as Annex C both Economic and Home and Social Affairs business. The return should cover Cabinet and the following Cabinet

Committees: ES, EX AND H; Sub-committees of ES: E(A), E(DL), E(LA), E(LF), E(NI) and E(PSP); and also MISC66, MISC83 and MISC95.

7. For each items we have been asked for the following information:
 - (i) brief title, with a few words to indicate the main issues;
 - (ii) the relevant Committee, Sub-committee or Group (or Cabinet);
 - (iii) when it is likely that discussion can take place (taking account of the "7-days" rule);
 - (iv) other Departments having a major interest, especially for joint papers;
 - (v) reference to previous Committee or Cabinet discussions, where appropriate;
 - (vi) any special considerations affecting timing or other relevant information.

8. The only business which needs to be included is that on which Treasury Ministers are in the lead and which is likely to require collective discussion and cannot be cleared in correspondence. A sample page from the previous exercise and a proforma are attached.

9. I would be grateful for contributions and nil returns by close of play on Friday, 9 December.

H C Goodman
H C GOODMAN

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTED DEPTS
<p>1. <u>GENERAL</u></p> <p>i) TCSC</p> <p>ii) Procedure Committee</p>	<p>Committee not yet reconstituted but will be in Autumn. Not yet known what areas of interest and examination will be.</p> <p>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.</p>	<p>Submissions as necessary.</p> <p>Submission on response as necessary. Initial paper to Ministers before Recess.</p>	<p>Chancellor Mr Battishill</p> <p>Chancellor Mr Battishill and others</p>	<p>Depends on enquiry.</p> <p>IR, C&E, Bank Cabinet Off. All on public expenditure</p>
<p>2. <u>MACRO-ECONOMIC ISSUES</u></p> <p>i) Autumn forecast</p> <p>ii) Industry Act Forecast in Autumn Statement*</p>	<p>Main report to be submitted in October.</p> <p>Draft to come forward in October*</p>	<p>Ministers to consider report as part of material for autumn decisions on public expenditure and other decisions needed for Autumn Statement.</p> <p>Ministers to consider substance and presentation in October*</p>	<p>Chancellor Mr Evans</p> <p>Chancellor Mr Evans</p>	<p>Revenue Depts Bank</p>

(* Timing dependent on date of Autumn Statement)

Answer A.

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTEREST DEPARTMENTS

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STOCKTAKING NOTE INDEX

Page Number(s)

1. GENERAL
2. MACRO-ECONOMIC ISSUES
3. FINANCE
4. TAX
5. PUBLIC EXPENDITURE
6. AGRICULTURE
7. ARTS AND HERITAGE
8. DEFENCE
9. EDUCATION
10. HEALTH
11. LOCAL GOVERNMENT
12. SOCIAL SECURITY
13. TRANSPORT
14. NATIONALISED INDUSTRIES
15. ENERGY
16. INDUSTRY
17. PAY
18. CIVIL SERVICE PAY AND MANPOWER
19. CCTA/TECHNOLOGY
20. PROCEDURE AND ORGANISATION
21. PUBLIC BODIES - STRUCTURE AND STATUS
22. BROADCASTING
23. HOME AFFAIRS
24. EUROPEAN ISSUES
25. INTERNATIONAL
26. CISCO.

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
(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

ITEMS DROPPED FROM PREVIOUS NOTE

ITEM

OUTCOME

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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
Nationalised Industries Investment and Financing Review	E(A)	mid-October	All nationalised industry sponsor departments	E(A)83 2nd meeting	Report back by Chief Secretary on progress in reaching targets set at E(A)83 2nd meeting May not be necessary if targets reached
REGIONAL ECONOMIC POLICY. Second report by Officials	E(A)	September	Treasury, DTI, DOE DEmp, WO, SO, NIO	MISC 14	Report recommends changes to Regional Economic Policy arrange- ments, following Ministers' remit to develop ideas in previous Report, discussed by MISC 14
ATTRIBUTION OF RECEIPTS FROM EUROPEAN COMMUNITY BUDGET	ODE	September	Treasury, DTI, DOE WO, SO, NIO	ODE 27 July 1982	Treasury paper to advocate general principles governing non-additionality of EC receipts to domestic programmes - in the light of recent specific disputes concerning ERDF non-quota and Research and Development receipts
BUILDING SOCIETIES Consultative document on proposals for new legislation.	E	October/November	Register of Friendly Societies, DOE		Manifesto commitment to early consultations on proposals to enable building societies to play a fuller part in supporting the provision of new housing and to bring up to date the laws which govern them

TITLE/MAIN ISSUE	CABINET/ COMMITTEE/ SUB-COMMITTEE	DATE LIKELY TO GO FORWARD	DEPARTMENTS WITH A MAJOR INTEREST	PREVIOUS DISCUSSIONS	OTHER COMMENTS



PS - let me have a note on all ~~the~~ Customs or prospective objection issues. ASAP

(ps)

Board Room
H M Customs and Excise
King's Beam House
Mark Lane London EC3R 7HE

From: J R Lester

Date: 15 December 1983

CHANCELLOR OF THE EXCHEQUER

cc: Chief Secretary
Financial Secretary
Minister of State
Economic Secretary
Mr Middleton
Mr Battishill
Mr Monger
Mr Griffiths
PS/Inland Revenue

STOCKTAKING NOTE: MATTERS FOR MINISTERIAL ATTENTION

... I attach a stocktaking note on major issues involving Customs and Excise which will probably require Ministerial attention before the Summer Recess (Annex A). Three items, dropped from our previous note, are at Annex B.

2. The note covers only items on which Customs and Excise are in the lead or have a joint interest (as in the case of the Keith Committee Report). It does not include most of our Budget and Finance Bill starters for 1983, which are covered by a single omnibus item in the official Treasury return.

3. We have no contribution for the "forward look" exercise.

J R LESTER
PRIVATE SECRETARY

Internal circulation:	Mr Hawken	Mr Bryars	Mr Harris
	Mr Knox	Mrs Strachan	Mr Wilmott
	Mr Freedman	Mr Jefferson Smith	Mr Battle
	Mr Godfrey	Mr Weston	

<u>Subject</u>	<u>State of play</u>	<u>Ministers involvement</u>	<u>Ministers/Officials in lead</u>	<u>Other interested departments</u>
PERSONNEL AND ADMINISTRATION				
1. Supply estimates and PES	Consideration to be given to 1984/85 supply estimates and, later, to PES bid for period to 1987/88	Decisions on outstanding points after discussions between C&E and official Treasury	Chancellor MST Mrs Strachan	Treasury
2. Personnel scrutiny	RWP central report and C&E departmental report published on 14 July 1983	Approval of departmental action plan	MST Mr Hawken	MPO
3. Scrutiny of Supporting Services for Administrative Work VAT	Report of efficiency scrutiny (part of the inter-departmental review) issued in November.	Approval, as appropriate, of action document	MST Mrs Strachan	MPO
4. Keith Committee Report (Enforcement Powers of Revenue Departments)	Comments from representative bodies on VAT, Income & Corporation Tax part of report due by 31 December 1983. Balance of report due January 1984 (Inland Revenue) and March or April 1984 (Customs and Excise).	Decisions on recommendations with particular reference to VAT trader compliance	Chancellor Mr Harris	Inland Revenue
5. Possible infraction proceedings against UK zero rates which do not directly benefit the final consumer	Commission have paused but may expect moves by UK early in 1984	Possible further discussions with Commissioner Tugendhat and Ministerial colleagues	Chancellor MST Mr Jefferson Smith	Treasury, FCO Cabinet Office, Environment, Trade & Industry MAFF

6.	Construction	Being considered in aftermath of Viva judgment	Decisions in Finance Bill context	Chancellor MST Mr Jefferson Smith	Treasury <u>Environment</u>
7.	Bad debt relief: possible extension of the scope of the relief for VAT	Awaiting publication of DTI's White Paper on Insolvency Law Reform. Expected to lead to a Bill in the 1984/85 Session	Decision on further recommendations	MST Mr Harris	Treasury Trade & Industry
8.	Scrutiny in VAT Central Unit	Efficiency scrutiny completed; report due in December 1983/January 1984	Approval of action plan and follow-up	MST Mr Harris	MPO
9.	Revalorisation of registration threshold. Commission alleges UK threshold increased by more than is allowed under EC Sixth Directive. Possible infraction proceedings if revalorisation undertaken in 1984.	Submission being prepared for Treasury Ministers	Decision required before 1984 budget	MST Mr Harris	Treasury FCO Cabinet Office
10.	Credit cards	Talks with card companies to be reported to MST	Decision on how to proceed	MST Mr Jefferson Smith	Treasury
11.	Relief for charities	Signs of political campaign reviving	Defend refusal to give relief in PQs and correspondence	Chancellor MST Mr Jefferson Smith	Treasury

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|-----|--|--|--|------------------|---|
| 12. | Draft 13th Directive on refunds of tax to taxable persons not established in the Community | Consideration of draft by Coreper. Problems with extent of items to be considered non-refundable. May be adopted by June - depends on French Presidency. | Minor UK legislation (Statutory Regulations) Inform the House | MST
Mr Harris | Treasury
FCO
Inland Revenue
Cabinet Office |
| 13. | Recovery of Costs in Distress and Poining cases | Preliminary Submission made to Ministers 29.11.83 | Decision on inclusion of amending legislation in 1984 Finance Bill | MST
Mr Harris | Inland Revenue |

EXCISE DUTIES

- | | | | | | |
|-----|---|--|--|----------------------------------|---|
| 14. | Wine and beer duties: adverse judgement of European Court on infraction proceedings | Interdepartmental report on implications of judgement issued on 7 December 1983 | Budget decisions on rates of duty | Chancellor
MST
Mr Freedman | Treasury, MAFF, FCO, DTI, Scottish/Welsh/Northern Ireland Offices, DHSS, Law Officers, Cabinet Office |
| 15. | Duties on made-wine and cider possible infraction proceedings | Reasoned opinion issued by Commission in August 1983 and response sent in November 1983. Minor change on scope of cider duty in 1984 Budget already announced in reply to PQ | Budget decision on differentials between rates of duty on made-wine and wine | Chancellor
MST
Mr Freedman | Treasury, MAFF, FCO
Law Officers, Cabinet Office |
| 16. | Duty on imported perfumed spirits: possible infraction proceedings | Reasoned opinion issued by Commission in November 1983 | Decision on response (unlikely to involve new legislation) | MST
Mr Freedman | Treasury, DTI, FCO
Law Officers
Cabinet Office |

17.	Gaming machine Licence Duty proposed centralisation of issue of licences to save staff	Draft clause and schedule published basis for consultation with trade interests	Final decision on legislation in 1984 Budget	MST Mr Freedman	Treasury
CUSTOMS					
18.	Customs:Errors in entries	Rayner scrutiny report issued January 1983. Ministers' decisions in principle promulgated in October 1983	Approval of action plan	MST Mr Godfrey	MPO Trade & Industry Environment MAFF
19.	Customs attendance	Rayner scrutiny report issued 1981. Ministers' decisions in principle promulgated in October 1983.	Approval of action plan	MST Mr Godfrey	No 10 MPO Trade & Industry MAFF Transport Scottish Office Welsh Office NIO
20.	Freeports: selection of sites	45 applications are currently being sifted by an inter-departmental working group at official level	In consultation with Ministerial colleagues, Chancellor to select final experimental locations from short list produced by officials, with a view to an announcement early in the New Year. (Designation to await 1984 Finance Bill)	Chancellor MST Mr Collings	HM Treasury DTI Transport DOE DEMP Scottish Welsh and N. Ireland Offices
21.	European Court case 278/82 on Duty Free Sales	Advocate General reported November 1983. Judgement expected in 1st quarter of 1984	Dependent upon content of Judgement.	MST Mr Hawken	Cabinet Office FCO DTI MAFF Transport

22.	Customs Simplification of Intra-Community Trade	A draft regulation for simplifying Customs documentation has been discussed in Council. Agreement reached on harmonisation of data elements, November 1983	Decisions may be necessary on regulations giving effect to the "single administrative document"	MST Mr Godfrey	Trade & Industry Transport MAFF FCO Cabinet Office
23.	Police and Criminal Evidence Bill	Bill now in Standing Committee in House of Commons. Following reconsideration, the Bill will now be applied to C&E by subordinate legislation, but the enabling clause also provides two exceptions to preserve existing powers of intimate search and power to obtain warrants from a magistrate to search, under VAT, car tax and betting and gaming duties legislation, for material held in commercial confidence.	Only if Home Office weaken (as a result of political pressure), on preservation of powers relevant to our investigatory activities or on the special exceptions should Ministers be directly involved further. The subordinate legislation applying the Bill to C&E will be required in Autumn 1984	CST Mr Godfrey	Home Office LCD DPP
24.	Data Protection Bill	Bill passed through House of Lords in November; due to be introduced into House of Commons shortly	Only if exemptions for sensitive Customs information held on computers comes under heavy political pressure and Home Office weaken should Ministers be involved further.	CST Mr Godfrey	Home Office Inland Revenue Treasury Trade LCD DES DHSS

- | | | | | | |
|-----|---|---|--|------------------------------------|---|
| 25. | Revision of personal reliefs from duties and taxes for goods permanently and temporarily imported into the United Kingdom | Two new Personal Reliefs Orders have been made and laid before Parliament. They require Affirmative Resolution.

Now are needed | Affirmative Resolution | MST
Mr Godfrey | Transport |
| | | -An amendment of section 13 of the Customs and Excise Duties (General Reliefs) Act 1979 so as to make it possible to provide that certain of the provisions of the Goods Permanently Imported Order can be applied to reliefs for personal property provided in Council Regulations No 918/83 due to come into force on 1 July 1984 | Clause in the Finance Bill 1984 | MST
Mr Godfrey/
Mr Darracott | - |
| | | -An amendment to the Goods Permanently Imported Order to provide the bridging link between the Order and Regulation 918/83. | Negative procedure | MST
Mr Godfrey/
Mr Darracott | - |
| 26. | International Convention on Harmonised Commodity Description and Coding System | Convention adopted by Customs Cooperation Council in June 1983, but will not enter into force before 1 January 1987. | Probably decision on whether the European Community and the United Kingdom should sign (and possibly ratify) the Convention. | MST
Mr Godfrey | Trade & Industry
MAFF
FCO
Treasury
Cabinet Office |

27.	Steel Stock- holders' statistics and accom- panying document	ECSC Steel Council meets on 14 December 1983. Commission is seeking Council assent to its proposals for short- term action.	Decision may be necessary on resource implications of Customs involvement.	Chancellor MST Mr Godfrey	DTI
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ITEMS DROPPED FROM PREVIOUS NOTE

<u>Subject</u>	<u>Reason for dropping</u>
1. VAT: Draft 12th Directive on expenditure not eligible for deduction of VAT	UK attitude decided and announced
2. Annual accounting for VAT by small businesses	Sample showed that less than 50% of traders were likely to be in favour of the scheme. Ministers had indicated that unless a substantial majority was in favour then it would not be considered.
3. Payment of contributions in lieu of rates in respect of approved operational areas at Customs ports and airports	Decision taken that Crown will bear the cost.

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INLAND REVENUE
CENTRAL DIVISION
SOMERSET HOUSE

From: C Ridley
15 December 1983

- PS*
u
x
m.
1. MR PAINTER
 2. PS/CHANCELLOR

STOCKTAKING NOTE AND FORWARD LOOK

I attach an update of the above items as requested in your minute of 28 November.

PART 1 STOCKTAKING NOTE (ITEMS REQUIRING MINISTERIAL ATTENTION BETWEEN JANUARY AND END-JULY 1984)

Annex A reflects briefly the state of play on major Inland Revenue policy and management issues which are likely to require ministerial attention. Annex B records the outcome of those topics included in the July 1983 stocktaking note which have been omitted from the current edition. Lastly, Annex C lists subjects covered more fully by the Treasury stocktaking note, submitted separately, but where the Revenue have a major interest.

PART 2 FORWARD LOOK (BUSINESS LIKELY TO COME FORWARD BETWEEN JANUARY AND END-MARCH 1984)

... Contributions enclosed on Building Societies, Rates and the Taxation of Husband and Wife.

C. Ridley
C RIDLEY

cc Financial Secretary
Chief Secretary
Economic Secretary
Minister of State
Mr Middleton
Mr Battishill
Mr Monger
Ms Goodman
PS/Customs & Excise

Chairman
Mr Green
Mr Isaac
Mr Gracey
Mr Rogers
Mr Blythe
Mr O'Leary
Mr Houghton
Mr P B G Jones
Mr Beighton
Mr Taylor Thompson
Mr Crawley
Mr Vernon
Mr D Moore
Mr Roberts
Mr Walton
Mr Christopher
Mr Ridley

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<u>SUBJECT</u>	<u>STATE OF PLAY</u>	<u>MINISTERS' INVOLVEMENT</u>	<u>MINISTERS AND OFFICIALS IN LEAD</u>	<u>OTHER INTERESTED DEPARTMENTS</u> (Apart from Treasury)
<u>A. PERSONAL TAXATION</u>				
i. Taxation of husband and wife	Prime Minister has approved proposal to publish further consultative document.	To consider and approve drafts, and clear text with Cabinet colleagues.	Chancellor FST Mr Isaac Mr Blythe	DHSS and DE
ii. Fringe Benefits	Future strategy to be considered in context of starters in this area for 1984 Finance Bill.	Submissions shortly.	FST Mr Blythe	DTI, D/EN, and Dept of Transport
iii Taxation and savings	Following discussions with officials, Ministers are considering future action with particular regard to life assurance and pensions.	Decision awaited	FST Mr O'Leary	Bank of England DTI, DHSS and Registry of Friendly Societies (if decision taken to proceed).
<u>B. BUSINESS TAXATION</u>				
i. Structure of Corporation Tax	Previous Chancellor announced in his Budget speech, following representations on CT Green Paper, no change in the broad structure of the tax. But:			
	a. two areas of Green Paper for further review - treatment of groups and capital allowances for mineral extraction industries - announced in Budget. Representations being received. Main legislation probably 1985: some aspects 1984.	a. Progress report to Ministers by end of year on need for legislation following review of representations.	FST Mr Beighton	DTI, D/En - later

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<u>SUBJECT</u>	<u>STATE OF PLAY</u>	<u>MINISTERS' INVOLVEMENT</u>	<u>MINISTERS AND OFFICIALS IN LEAD</u>	<u>OTHER INTERESTED DEPARTMENTS</u> (Apart from Treasury)
	b. major (unannounced) review of optimum basis for company taxation involving future of capital allowances/ stock relief/CT rate etc.	b. Already under review by Ministers.	FST Mr Beighton	?DTI, D/En, MAFF Bank and others - in due course.
ii. Taxation of International Business	Legislation dealing with "controlled foreign companies" (countering avoidance through accumulation of profits in tax haven subsidiaries) introduced in first 1983 Finance Bill but dropped on account of dissolution of Parliament. Further consideration being given to countering related devices (such as loss and profit importation) and to upstream loans problem.	Draft clauses containing the legislation introduced earlier this year, amended to reflect changes announced in March, were published in October with a view to reintroduction in the 1984 Finance Bill	FST Mr Taylor Thompson	Bank of England
C. <u>OIL TAXATION</u>				
i. North Sea fiscal regime review	Review in progress on (a) profitability of fields (to establish whether future field concessions should extend to S. Basin) and (b) tax implications of farm outs (other than PRT).	Reports to Ministers (via Mr Cassell's Steering Group) on (a) before Christmas (Steering Group to consider report on 15 December) and on (b) early New Year.	FST Mr Crawley	D/EN

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ii. ICI case on S. 134, FA 1982 (ethane valuation)	Procedural hearing on 14 December. Substantive hearing Oct/Nov 1984. Possible links with EEC enquiries into petrochemical feedstocks.	Note to Ministers to report developments. Questions on handling may arise subsequently which will require Ministerial consideration.	FST Mr Crawley	D/En, DTI, SO, Law Officers, Treasury Solicitor
D. <u>STAMP DUTY</u>				
Review	Consultative document issued in March. Responses under consideration.	Decision on timing and content of legislation needed. 1984 now ruled out.	FST Mr O'Leary	DoE, and Bank of England

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SUBJECT	STATE OF PLAY	MINISTERS' INVOLVEMENT	MINISTERS AND OFFICIALS IN LEAD	OTHER INTERESTED DEPARTMENTS (Apart from Treasury)
E. <u>OTHER POLICY ISSUES</u>				
i. Rates				
a. Non-domestic Revaluation	White Paper issued on 1 August 1983 stated that the Government proposed to set the work in train. Early announcement of effective date required.	Through cabinet.	Chancellor CST Mr Houghton Mr Christopher	DoE
b. Domestic Revaluation	White Paper issued on 1 August 1983 stated that the Government were urgently considering the case for a domestic revaluation and would issue a consultation document as soon as possible.	Comments on DoE's proposals and draft consultation document will be required.	Chancellor CST Mr Houghton Mr Christopher	DoE
ii. Assessment and collection arrangements for businesses:				
a. income tax; and	Previous Ministers have approved in principle the issue of a discussion document on possible reforms of Schedule D. This will include partnership avoidance. Will need to take account of Government's attitude to the Keith Committee Report (see iv. below).	Draft document and proposals for publication sent to Ministers on 9 December 1983.	FST Mr Rogers Mr Beighton	
b. corporation tax	b. Internal study of CT self-assessment including field test.	b. Report to Ministers early 1984.	FST Mr Rogers Mr Beighton	

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iii. Data Protection legislation	Data Protection Bill introduced in Lords on 23 June. 2nd Reading 5 July. Aim is to complete Commons Committee Stage by end of December.	Possible continuing involvement on scope of exemptions for Revenue departments	CST Mr Painter	Home Office in lead. Most other departments interested.
iv. Keith Committee on enforcement powers	Report Vols 1 and 2 dealing with IT, CGT and CT published 23 March 1983. Report Vol 3, dealing with DLT, PRT, CTT and Stamp Duties expected publication mid-January 1984. (Draft with Ministers 30 November 1983).	Taking public reaction by consultation: Vols 1/2 to be completed by 31 December 1983. Vol 3 to be completed by 30 April 1984. During 1984: decision on working up proposals for legislation (? publish draft clauses Winter 84/85). Possible legislation 1985 and 1986.	Chancellor, FST (IR aspects), MST (C/E aspects), Mr Isaac Mr O'Leary Mr Houghton (CTT, DLT) Mr Crawley (PRT)	Customs and Excise and possibly Lord Chancellor's Department

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<u>SUBJECT</u>	<u>STATE OF PLAY</u>	<u>MINISTERS' INVOLVEMENT</u>	<u>MINISTERS AND OFFICIALS IN LEAD</u>	<u>OTHER INTERESTED DEPARTMENTS</u> (Apart from Treasury)
v. Cork Committee Report on Insolvency	Interdepartmental Committee is considering the Government's response. White Paper promised for New Year. Legislation next session.	Major tax question: future of Crown preference.	FST Mr O'Leary	Customs and Excise, DHSS, and DTI
vi. Charities	Review of giving tax relief for single donations. Also, working party on policing of charity tax relief generally.	Submission to Ministers on the former 1 July 1983. Meeting of 13 July authorised proceeding along the lines recommended. Meeting with FST 15 September 1983 established the working party which has so far met once.	FST Mr O'Leary	Home Office Charity Commission (on the latter)
vii. Composite rate for banks	FST is minuting Chancellor following meeting on 30 November to discuss Revenue submission of 15 November.	Early decision needed on whether to open discussions with banks with view to FA 1984 legislation.	FST Mr Crawley	Bank of England DNS

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F. <u>MANAGEMENT</u>				
i. Manpower	Ministers will continue to be involved in discussion on the policy measures necessary to achieve 1988 target.	Continued involvement as necessary.	FST Mr Moore Mr Green Mr Isaac	
ii. Financial management	<p>a. Departmental response submitted to Ministers January 1983 now being implemented and developed, White Paper published by MPO in September with summary of Revenue plans.</p> <p>b. Information provided during first reporting round of Senior Management System (SMS) now being considered by Board.</p>	<p>Ministers to consider progress report on FMI in due course.</p> <p>Report to Ministers on results of SMS round early in New Year. Will require decisions about the material to be published.</p>	<p>FST Mr Moore</p> <p>FST Mr Moore</p>	<p>MPO</p> <p>MPO</p>
iii. Single head accounting for IT-PAYE and NIC (Review of Collection Service)	Review of implications for forecasting and monitoring revenue and for management of the National Insurance Fund continuing. Implementation date uncertain.	Submission in early 1984.	FST Mr Gracey Mr Walton	GAD, DHSS and DHSS(NI)
iv. Possible privatisation of Kew Sorting Centre.	Staff informed: discussions proceeding with contractors; review to improve efficiency of in-house operation under way. Management Services report due late January 1984.	Decisions will be needed when full costings available.	FST Mr Vernon	MPO

ITEMS DROPPED FROM NOTE COMPILED IN JULY 1983

MANAGEMENT	i.	Black Economy: redeployment	Ministerial decision on redeployment reached October 1983.
	ii.	Review of PAYE records	Ministerial approval July 1983 Implementation commenced November 1983.
	iii.	PAYE - End of Year Procedures	Main recommendation of Rayner Scrutiny not to be implemented.
	iv.	Review of Government Valuation Services	A decision on publication still awaited.
	v.	Oil Taxation Bill	Enacted 1 December 1983.
	vi.	Reform of the Special Commissioners of Income Tax	To be included in 1984 Finance Bill.

ITEMS IN TREASURY STOCKTAKING NOTE WHERE REVENUE HAVE MAJOR INTEREST

- i. Finance Bill/Budget 1984 - Starters List/preliminary papers.
- ii. Taxation of savings and investment (see also items A. iii and B. i in Revenue list).

(phf)

FROM: H C GOODMAN
DATE: 16 DECEMBER 1983

- 1. MR BATTISHILL ^{AMB/ 16/12}
- 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 Hall
- Mr Folger
- Mr Norgrove
- Mr Ridley
- Mr Lord
- Mr Portillo
- Sir L Airey - IR
- Mr Fraser - C&E

Handwritten notes in red ink:
 Mr. Rankin
 (Prop. sp. in Ch. 2)
 Denshaw
 Student
 man
 and storage
 loans - see X -
 6000
 on -
 without delay
 Mr

STOCKTAKING NOTE: MATTERS FOR MINISTERIAL ATTENTION

I attach, as Annex A, a note setting out the more important matters which are likely to require Ministerial attention in the period from January to the end of next July. I am grateful to Mr Edwards for his help in compiling it.

2. The detail of Budget submissions is not covered in this note, which receives a very wide circulation. Customs & Excise and Inland Revenue are submitting their own lists of other tax measures directly to you.

Boke below

3. This note succeeds the one submitted by Mrs Dunn on 22 July 1983. Annex B records items from the July note where action has since been completed, except for those, such as international meetings, which are evidently time-expired.

4. Where possible, the note gives an indication of when an item will be brought forward for Ministerial consideration and whether a meeting will be required (or simply a submission). It may not, of course, prove possible as time goes on to adhere strictly to the timing set out in the note, but Divisions should give Private Offices some guidance as to when issues are likely to arise and how they will be tackled.

5. To facilitate quick reference the main note at Annex A is prefaced by a page index to the main subject headings.

6. I would be grateful if Divisions could retain their copies of this note for reference when the next note is compiled.

D. H. Norman
for H C GOODMAN

16/12/83

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SUBJECT	STATE OF PLAY	MINISTERS' INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTED DEPARTMENTS
1. <u>GENERAL</u>				
(i) TCSC	Committee only recently reconstituted. Has begun an examination of the Autumn Statement to be completed in the new year. Not yet known what subjects will follow	<u>Submission</u> and appearance before the Committee as necessary Chancellor to give evidence on 19 December	Chancellor Mr Battishill	Depends on enquiry
2. <u>MACRO-ECONOMIC POLICY</u>				
(i) Preparations for the Budget, including Chevening, pre-Budget economic Cabinet, arrangements for reaching detailed monetary and fiscal decisions, preparation of Budget speech and FSBR	Work already started. Timetable to-Budget to be submitted by Christmas	<u>Submissions</u> as necessary	Chancellor Other Ministers Mr Battishill & others	Revenue Depts Bank
(ii) MTFS	Preliminary discussion on Sir T Burns' paper at Chevening. Drafts to be considered and agreed in February/early March	Ministers to agree MTFS	Chancellor Mr Odling-Smee	Bank
(iii) Winter forecast	Main report to be submitted about end-January	Ministers to consider report as part of material for decisions on Budget	Chancellor Mr H P Evans	
(iv) Industry Act Forecast in FSBR	Draft to come forward in February	Ministers to consider substance and presentation in February	Chancellor Mr H P Evans	Revenue Depts Bank

SUBJECT	STATE OF PLAY	MINISTERS' INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTED DEPARTMENTS
(v) Internal Treasury Forecast	Report to be submitted late June/early July	Ministers to consider report as part of material for public expenditure review and for monitoring of fiscal and monetary policies	Chancellor Mr H P Evans	Revenue Depts Bank
<u>3. FINANCE</u>				
(i) Legislation to complete Trustee Savings Banks transition to private sector	Plans agreed in broad outline, work on instructions to counsel at an advanced state. Discussions continue with TSBs on a few points of policy and on details	Submissions as issues for decision evolve. Bid for legislation (essential) in 1984-85	Economic Secretary Mr Monck	Bank
(ii) Building societies: prospective legislation	Manifesto commitment to early public consultations	Submission and part of draft Green Paper with EST	Chancellor Economic Secretary Mr Monck	Registry of Friendly Societies Bank DOE
(iii) Monetary targets	Mr Cassell submitted a paper on the form of monetary targets on 6 December	Form should be settled before Chevening, numbers afterwards	Chancellor Mr Cassell	
(iv) Coinage (a) £1 note and ½p coin	160m of £1 coins in issue	If no decision before Christmas 1984, to announce timing of withdrawal of £1 note, and demonetisation of ½p	Chancellor Economic Secretary Mr L Watts	Bank of England Royal Mint
(b) Future of coinage	Proposals made on look a like 1p, and new 10p coins	To consider issue of Consultative Document, once £1 note and ½p coin announcement cleared away, about these new coins	Chancellor Economic Secretary Mr L Watts	Royal Mint

SUBJECT	STATE OF PLAY	MINISTERS' INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTED DEPARTMENTS
4. <u>TAX</u>				
(i) Finance Bill/Budget	Starters Exercise under way. Position and option papers arriving and receiving Ministerial consideration	Options to be considered at Chevening. Budget decisions on tax	Chancellor Mr Monger	IR C&E and others
(ii) Tax treatment of Savings and Investment	Revenue/Treasury paper submitted earlier this year. Further work in hand (eg on company tax, pensions)	Submissions and discussions as necessary	Chancellor Financial Secretary Mr Monger Mr Monck Mr Watson	IR Bank
(iii) See also Section 15 on North Sea Taxation and notes from Inland Revenue and Customs & Excise				

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SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTEREST DEPARTMENTS
5. PUBLIC EXPENDITURE				
(i) Public Expenditure White Paper	In preparation within Treasury in consultation with Departments	To be circulated to Cabinet in early January	Chancellor Chief Secretary Mr Scholar Mr Hart	All
(ii) Alternative presentation of Public sector capital spending	paper for Cabinet and new table for Public Expenditure White Paper in preparation; possible interim paper for TCSC now in preparation	Submissions will be made during December/early January. Possible TCSC paper already with Ministers	Chancellor Chief Secretary Mr Scholar	All with capital programme
(iii) Long Term Public Expenditure	New study currently under way within Treasury, with a view to preparing Green Paper.	A paper summarising results so far will be ready for Chevening	Chancellor Chief Secretary Mr Bailey Sir T Burns Mr Scholar	Depending on Chevening discussion, all
(iv) Spring Supplementary Estimates for 1983-84	To be presented in February	Submissions as necessary	Financial Secretary Mr Kelly	Many
(v) Main Estimates 1984-85	To be presented in March	Submissions as necessary	Financial Secretary Mr Kelly	All
(vi) 1984 Survey launch	Decisions required in April on guidelines and outline on timetable. First Cabinet discussion in July.	Draft guidelines circulated to Cabinet by Chief Secretary in correspondence. Papers by Chancellor and Chief Secretary for July Cabinet	Chancellor Chief Secretary Mr Bailey Mr Scholar Mr Hart	All
(vii) Public expenditure and pay	Question about whether a collective Ministerial discussion on pay desirable in June/July 1984	A decision will be required for central government employees on the pay assumption for expenditure plans and cash limits 1985-86.	Chancellor Chief Secretary Mr Bailey Mr Kemp Mr Scholar	All
(viii) Revised and Summer Supplementary estimates for 1984-85	To be presented in July	Submissions as necessary	Financial Secretary Mr Kelly	Departments concerned

SUBJECT	STATE OF PLAY	MINISTERS' INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTED DEPARTMENTS
(ix) FMI	Further White Paper on progress with FMI in Departments to be published in July 1984	Submissions as necessary	Chief Secretary	All
(x) Annual Ministerial Review of ECGD finances	First review expected January 1984. Review of premium levels, financial performance and risks	Discussion with Minister for Trade	Chief Secretary Mr Mountfield	ECGD DTI

SUBJECT	STATE OF PLAY	MINISTERS' INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTED DEPARTMENTS
6. AGRICULTURE				
(i) Review of CAP/ 1984 price fixing	No agreement at Athens European Council. Discussions on CAP reforms (including strict financial guideline) likely to be linked with (i) 1984 price fixing (ii) EC financial questions	Agreeing/putting forward negotiating line	Chancellor Economic Secretary Mr Fitchew Mr Bostock	MAFF FCO Cabinet Office
(ii) UK agricultural support	To be discussed at Prime Minister's meeting on 21 December	Depends on outcome of 21 December meeting. Possible consideration of detailed proposals by officials	Chief Secretary Mr Bostock	MAFF SO WO NIO
(iii) Potato and wool guarantee schemes	Both are under review	Decisions on potatoes probably necessary in New Year. Timetable for work <u>less clear</u> .	Chief Secretary Mr Bostock	MAFF
(iv) Land drainage	Ministers discussed on 15 December. E(A) discussion likely in New Year. May be affected by (ii) above	Probably in E(A)	Chief Secretary Mr Lovell	MAFF DOE WO SO
(v) Forestry disposals	Proposals for future disposals awaited from Forestry Ministers	Consideration of Forestry Ministers' proposals	Chief Secretary Financial Secretary Mr Bostock	Forestry Commission

SUBJECT ARTS AND HERITAGE	STATE OF PLAY	MINISTERS INVOLVEMENT	MINS/OFFICIALS IN THE LEAD	OTHER INTERESTED DEPTS
(i) Education, Science and Arts Committee Eighth Report on Public and Private Funding of the Arts	Draft Government response being co-ordinated by OAL	Approval of draft	CST FST Miss Kelley	OAL, DTI, SO, WO, IR, DOE
ii) Consequences for the arts of GLC/Met. countries proposed abolition	Consultation document issued on future of arts bodies supported by these councils	Consideration of response	CST Miss Kelley	OAL, MPO, DOE
ii) Heritage properties - acceptance in lieu, maintenance funds etc	Some difficult cases, eg Calke Abbey, Kedleston Hall may require Ministerial attention	Ministerial correspondence /discussion	CST FST Miss Kelley Mr Pestell	OAL, DOE, IR

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SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTED DEPARTMENTS
8 <u>DEFENCE</u>				
(i) Army capital expenditure in the Falklands Islands	OD(FAF) promised on MOD/PSA paper. Expected in February/March	OD(FAF) discussion	Chancellor CST Mr Kitcatt	MOD PSA FCO
(ii) 1984 Report of Review Body on Armed Forces Pay	Report expected to be submitted to Prime Minister for approval in May.	Ministerial correspondence	Chancellor Mr Kitcatt	MOD
(iii) Report by AFPRB on 1983 review of London Weighting for the Armed Forces	AFPRB considering a joint MOD/Treasury paper. Recommendation will be reported to the Prime Minister in January (if not in December 1983).	Ministerial correspondence	Chancellor Mr Kitcatt	MOD D/Emp
(iv) ROFs' Reform	Bill should be introduced before Christmas. Work on other matters proceeding (eg future capital structure and privatisation plans)	Ministers may need to be consulted during passage of Bill; and also on related issues	FST Mr Kitcatt	MOD
(v) Other privatisation or contracting out involving MOD	Various; proposals mostly small	Ministers may need to be consulted	FST Mr Kitcatt	MOD

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTED DEPARTMENTS
(vi) Royal Dockyards	Proposals on financial structure under consideration by Mr Heseltine.	Defence Secretary expected to write to Chief Secretary	CST Mr Kitcatt	MOD
(vii) SSGW for Royal Navy (Exocet replacement)	Mr Heseltine proposed to buy Harpool from USA, but now evaluating revised BAe bid.	Defence Secretary to consult OD colleagues again.	CST Mr Kitcatt	MOD DOI FCO
(viii) Review of Falklands Force Levels	MOD are undertaking the review	Mr Heseltine will report to OD	Chancellor CST Mr Kitcatt	MOD OD
(ix) Profits on MOD non-competitive contracts	Review Board to report probably in January 1984	Ministers to consider report before negotiations with contractors	Chief Secretary Mr Perry	MOD DTI

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SUBJECT EDUCATION AND SCIENCE	STATE OF PLAY	MINISTERS INVOLVEMENT	MINS/OFFICIALS IN THE LEAD	OTHER INTERESTED DEPTS
(i) University system - future structure, funding, scope for greater efficiency, and links with industry	Consultation exercise by UGC under way; efficiency study to be mounted; ABRC/ACARD report on industry links being processed by officials.	Ministerial correspondence and/or discussion when results to hand	Chancellor CST Miss Kelley Mr Lovell	DES (in lead) Others with interest in qualified manpower
(ii) Scientific research - future organisation and funding	Variety of related studies under way, or being processed inter-Departmentally	Ministerial correspondence and/or discussion	CST Miss Kelley Mr Lovell	DES, Cabinet Office, DOI, other Departments sponsoring research
(iii) Science and Engineering Council - international commitments	Treasury/DES working group reported on problems arising from sterling fluctuations and increasing UK share of budget of CERN etc. DES Ministers' reaction awaited	Ministerial correspondence /discussion	CST Miss Kelley Mr Scholar Mr Judd	DES, Cabinet Office, DTI
(iv) Education support grants	Bill before House. Use of new powers will require Treasury clearance	Ministerial correspondence and/or discussion if issues cannot be resolved by officials	CST Miss Kelley Mr Pestell	DES, DOE, WO
(v) Response to report on Youth Service; and to comments on consultation document on further education legislation	Legislation ruled out, but possible expenditure implications	Clearance of DES draft responses	CST Miss Kelley	DES, DOE, WO

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PROJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/OFFICIALS IN THE LEAD	OTHER INTERESTED DEPTS
<p>10 <u>HEALTH</u></p> <p>NHS Manpower and efficiency</p>	<p>Manpower targets for 1.4.84 agreed. Griffiths report published with commitment to implement by 1.4.84. Consultation with NHS in progress</p>	<p>To consider Mr Fowler's proposals to implement Griffiths in DHSS and NHS</p>	<p>Chief Secretary Mr Watson</p>	<p>DHSS SO WO MPO</p>
<p>Alternative health care finance</p>	<p>Charging options considered in PES discussions. Mr Fowler considering how to pursue possible insurance and taxation ideas (including provision of private geriatric facilities). May also arise in LTPE context.</p>	<p>To consider Mr Fowler's proposals and LTPE handling Timing uncertain.</p>	<p>Chancellor Chief Secretary Mr Watson</p>	<p>DHSS SO WO</p>
<p>"Major" study of provision for territorial depts</p>	<p>Internal study has indicated prima facie over provision in relation to need in Scotland and Northern Ireland</p>	<p>To consider handling/departments with a view to reductions in future years (Dec/Jan)</p>	<p>Chief Secretary Mr Norton</p>	<p>SO NIO WO</p>

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTEREST DEPARTMENTS
<u>11. LOCAL AUTHORITIES</u>				
i) Rate capping legislation	Bill to be introduced on 19 December seeking powers for selective and general rate control (Scottish parallel Bill already introduced). Both include some minor rate reforms.	Depends on passage of Bill	Chief Secretary Mr Culpin Mr Griffiths	DOE, WO, SO, IR
ii) Abolition of GLC and Metropolitan County Councils	Consultation proceeding on White Paper; possible decisions required on outcome.	Ministerial correspondence; MISC 95	Chief Secretary Mr Culpin Miss Kelley	DOE, DTp, HO, DHSS, DTI, DES, OAL
iii) RSG settlement	Decisions on public expenditure provision for local authorities in 1985-86 needed for end-July announcement. Decisions on size of Aggregate Exchequer Grant, penalty regime, service distribution*, grant distribution.	Ministerial correspondence; bilateral discussions and discussions in E(LA)	Chief Secretary Mr Culpin	DOE, SO, WO, also DTp, HO, DES, OAL, DHSS on *
iv) Selective rate control	Implementation of powers under (i) above.	Ministerial correspondence; discussions in E(LA)	Chief Secretary Mr Culpin	DOE, SO, SO, also HO, DTp, DES, DHSS

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERES. DEPARTMENTS
v) Northumbrian Water Authority: Kielder Scheme	DOE Ministers expected to write shortly claiming Kielder scheme is surplus to capacity and should be written off with associated £80m of NLF loans to hold down industrial water charges in North-east.	Ministerial decision required	Chief Secretary Mr Culpin	DOE, DoI (Welsh Office marginal interes
vi) Housing Improvement Policy	Report with DOE Ministers	S of S to bring forward proposals for collective decision	Chief Secretary Mr Hopkinson	DOE, SO, WO, NIO
vii) Future of Rent Control	Proposals from DOE officials under consideration by DOE Ministers	Collective Ministerial consideration of proposals made by DOE Ministers	Chief Secretary Mr Hopkinson	DOE, SO, WO, NIO
viii) Future of Local Authority Rents	Scope of review broadly agreed between CST and Secretary of State for the Environment. Terms of reference to be agreed by officials shortly.	Report to Ministers followed by collective Ministerial discussion	Chief Secretary Mr Hopkinson	DOE, SO, WO, NIO
ix) Review of PRS system	Official Level Working Party to report early 1984	Minister for Housing will bring final proposals	Chief Secretary Mr Hopkinson	PSA, ACE
x) LA contracting - out	Secretary of State about to put proposals to colleagues	Collective consideration necessary	Chief Secretary Mr Scholar	DOE, SO, WO, DES, HO

SUBJECT 12. SOCIAL SECURITY	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS OFFICIAL IN THE LEAD	OTHER INTERESTED DEPARTMENTS
(i) Pensions Enquiry	Announced on 23 Nov first meeting 12 Dec	MST on committee; (i) Report on portable pensions in Spring, '84 (ii) Full report, Autumn 84 Submission on (i) by February	MST Mr Watson	DHSS, DTI DE; & others
(ii) Forecasting of Social Security Expenditure (FOSSE)	Scrutineers report under consideration in DHSS	Submission to CST may be necessary January/February	CST Mr Watson	DHSS, GAD
(iii) Review of Family Income Supplement (FIS)	Official interdepartmental Report under preparation	Submission in February/March	CST/FST depending on conclusions. Mr Watson	DHSS, IR
(iv) Child Benefit Uprating	Previously a Budget announcement. May be best deferred till general uprating in June.	Consideration of decision and timing.	Chancellor/CST Mr Watson	DHSS
(v) Uprating Review	Provision in survey for indexed uprating of benefits.	Decisions on non-indexed benefits in June.	CST Mr Watson	DHSS
(vi) Review of Housing Benefit	Scope and nature of review now being considered	Timing uncertain but report to CST, late Summer for inclusion in Survey.	CST Mr Watson	DHSS, DOE
(vii) Review of Benefits to Unemployed	"	"	CST Mr Watson	DHSS, DE
(viii) DHSS Operational Strategy management plan	Paper in preparation seeking endorsement from Ministers collectively.	Consideration by H Committee - timing uncertain.	MST Mr Watson	DHSS, DE, CCTA

SUBJECT	STATE OF PLAY	MINISTERIAL INVOLVEMENT	MINISTERS/ OFFICIALS IN THE LEAD	OTHER INTERESTED DEPARTMENTS
13. TRANSPORT) BAA privatisation	Secretary of State for transport re-examining all possibilities for introducing private sector capital including franchising with a view to reporting to colleagues in the spring	Secretary of State for Transport in the lead	FST Mr R H Wilson	DTp ScO
) Sale of residual shareholding in ABP	Possibility being reviewed for early 1984 (linked to PLA decisions)	Submissions and Ministerial correspondence	FST Mr Grimstone	DTp
i) National Bus Company privatisation	Secretary of State for Transport considering issues; officials to study interdepartmentally	E(DL) in January/February 1984 DTp in lead	FST Mr Grimstone	DTp
v) Scottish Transport Group privatisation	Paper by Secretary of State for Scotland delayed until NBC paper available (see above)	E(DL) in January/February 1984 ScO in lead	FST Mr Grimstone	ScO
) London Transport Emergency Bill	Draft bill prepared for introduction	Submission to Chancellor/CST if bill to be introduced	CST Mr Grimstone	DTp
) London Regional Transport Bill	Committee Stage January onwards	Ministerial correspondence DTp in lead	CST Mr Grimstone	DTp
i) Rail Plan 1984	Key document for achieving 1986 PSO target	Submissions April onwards	CST Mr Grimstone	DTp
ii) Sealink privatisation	Expected spring 1984 Decisions needed on methods and handling	Submissions and E(DL) correspondence DTp in lead	FST Mr Grimstone	DTp

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTEREST, DEPARTMENTS
x) Port of London Authority	DTp considering PLA's proposals for return to profitability. Decision required on alternatives to revived Government subsidy	Discussion in E(A), possibly following further tri-lateral talks	CST Miss Kelley	DTp DE
) Channel Fixed Link	Report from banks delayed but now expected end-January	'E' discussion likely possibly in May	CST Miss Kelley	DTp FCO DTI
i) Private finance for roads.	DTp considering methods of dealing with local authority proposals, and may propose a pilot national scheme. Report from merchant bank already obtained	May be settled bilaterally, possibly 'E' discussion	CST FST Miss Kelley	DTp

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SUBJECT	STATE OF PLAY	MINISTERIAL INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTED DEPARTMENTS
<p>14. NATIONALISED INDUSTRIES</p> <p>(i) Assets Disposals: Privatisation</p> <p>(ii) NI Corporate Plan Reviews</p> <p>(iii) Rolling Programme of MMC references</p> <p>(iv) Nationalised Industry/ Government relationships</p>	<p>Bilateral discussions with sponsor Ministers will be completed by end December. Paper drawing together the outcomes to be prepared for E(A) in January</p> <p>1984 Corporate planning cycle starts in the new year. Note on improving corporate planning system being prepared following NIP discussion. This to be circulated within E(NI)</p> <p>Discussion of 1984 programme to start shortly.</p> <p>Negotiations continuing with some industries over objectives and monitoring</p>	<p>FST, Sponsor Department Ministers. Later Chancellor, E(A)</p> <p>Treasury Ministers involved at E(NI). Individual plans come for review in early summer. Treasury Ministers also involved in discussion of some individual industries.</p> <p>Chancellor, CST</p> <p>Ministers involved in <u>some</u> discussions</p>	<p>FST Mr Burgner</p> <p>Chancellor CST Mr Burgner</p> <p>CST Mr Grimstone</p> <p>Chancellor CST Mr Bailey</p>	<p>All NI Sponsor Departments</p> <p>All NI Sponsor Departments</p> <p>DTI and NI Sponsor Departments</p> <p>NI Sponsor Departments</p>

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/OFFICIAL IN THE LEAD	OTHER INTERESTED DEPARTMENTS
<p>NATIONALISED INDUSTRIES: Board Pay and Appointments Follow up to E(NI)(83) 9th Meeting on the method of appointing and fixing the pay of Board members and strengthening powers of dismissal and compensation; and to enable employment contracts to be offered.</p>	<p>Officials are preparing a paper on the options which will be circulated shortly for discussion in the Nationalised Industries Policy Committee</p>	<p>Discussion in E(NI)</p>	<p>Chancellor Mr Anson</p>	<p>All NI sponsor Departments</p>
<p>(vi) Accounting for inflation</p>	<p>The accountancy profession is shortly to publish proposals on inflation accounting following the trial period for SSAP16.</p>	<p>E(NI) correspondence and possible discussion later</p>	<p>Chancellor Mr Grimstone</p>	<p>All NI sponsor Departments</p>
<p>(vii) Nationalised Industry Board pay increases in 1983</p>	<p>Sponsor Ministers to submit proposals for 1983</p>	<p>Ministerial correspondence</p>	<p>Chancellor Mr Anson</p>	<p>NI sponsor Departments</p>
<p>(viii) Nationalised Industry pay</p>	<p>Low key monitoring</p>	<p>Decisions during pay round</p>	<p>Chancellor Miss Sinclair</p>	<p>NI sponsor Departments</p>

SUBJECT	STATE OF PLAY	MINISTERIAL INVOLVEMENT	MINISTERS/ OFFICIALS IN THE LEAD	OTHER INTERESTED DEPARTMENTS
<p>14. NATIONALISED INDUSTRIES</p> <p>ix) Desirable changes in nationalised industry statutes</p>	<p>Agreed in principle by E(NI) in April 1983. State of play submission to Ministers January</p>	<p>Once Treasury position determined, E(NI) discussion necessary</p>	<p>Chancellor CST Mr Burgner</p>	<p>All NI sponsor Departments</p>

SUBJECT	STATE OF PLAY	MINISTERIAL INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTED DEPARTMENTS
15. ENERGY (i) Gas Prices	Remit from PM to consider the medium-term path of gas prices.	Ministerial correspondence leading to collective discussion in the Spring	Chancellor Chief Secretary Mr Robson PEAU	DEn
(ii) National Coal Board Corporate Plan	Mr MacGregor preparing a "Business Plan"	To Ministerial group for discussion in the Spring	Chancellor Chief Secretary Mr Robson	DEn Scottish Office Welsh Office
(iii) Electricity pricing	Further discussions between officials of application of economic pricing	Possible Ministerial correspondence with DEn and DOI	Chancellor Chief Secretary Mr Robson	DEn DTI Scottish Office
(iv) BGC Corporate Plan	1984 Corporate Plan under preparation by BGC	Collective discussion in the light of decisions taken on gas prices, Sleipner, gas exports.	Chancellor Chief Secretary Mr Robson	DEn

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SUBJECT	STATE OF PLAY	MINISTERIAL INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTED DEPARTMENTS
(v) Privatisation	E(A) remit for Mr Walker to produce options for gas and electricity by January. Possible proposals in British Nuclear Fuels, from DEn	FST Bilaterals with E(A) discussion in the Spring	Chancellor Chief Secretary FST Mr Robson	DEn Scottish Office
(vi) Purchase of Sleipner	BGC negotiating with Norwegians on price. Issue linked with policy on gas exports.	Ministerial correspondence. Possibly collective discussion.	Chancellor CST Mr Robson	DEn
(vii) Combined Heat and Power District Heating	Consultants report on possible schemes in major cities.	Ministerial correspondence on whether to proceed to further planning.	Chief Secretary Mr Robson	DEn Scottish Office NIO DOE
(viii) British Nuclear Fuels Pre 1971 Wastes	Agreement reached in principle that HMG should bear costs of pre 1971 Wastes. Attribution to expenditure programmes still in dispute. Treasury intervention will be needed to resolve.	Ministerial correspondence	CST Mr Robson	DEn MOD
(ix) Atomic Energy Authority	Review of future programmes and funding agreed during PES 83	Paper for Ministers in early Summer	CST Mr Robson	DEn

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SUBJECT	STATE OF PLAY	MINISTERIAL INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTED DEPARTMENTS
(x) Privatisation of Government Pipeline and Storage System	Interdepartmental Working Party set up to examine implications	Ministerial correspondence in early summer	CST Dr Bird	DEn MOD
(xi) BGC oil Assets	Enterprise Oil Ltd now set up owning the main (production) interests. Exploration interests to be added in December 1983. Recruitment of management in progress. Preparation for flotation in May-July 1984.	Ministerial correspondence on issues for decision as they arise plus progress chasing.	Financial Secretary Mr Robson	DEn
(xii) BNOC Review	Study of cases for abolition and for retention of BNOC post Britoil privatisation. Papers in preparation by DEn yet to be circulated.	Report to Ministers expected in New Year	Financial Secretary Mr Robson	DEn
(xiii) North Sea Taxation	a) Study of case for amendment to Southern Basin fiscal regime now complete b) Study of possible action to deal with tax loss from farm outs should be completed shortly.	On (a), a report to Ministers before Christmas in time for action if any in Budget. On (b), a report to Ministers early in the New Year	Financial Secretary Mr Crawley IR Mr Robson Mr Allen	Inland Revenue DEn

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SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTEREST DEPARTMENTS
16 INDUSTRY & EMPLOYMENT				
(1) BL Corporate Plan	Plan expected by end of year. Coverage to include privatisation and future of Leyland Vehicles. An official interdepartmental group will consider it.	Ad hoc meeting at No 10 likely following report of official group.	Chancellor Mr Lovell	DTI, DE _m , SO
2) Launch aid for A320 aircraft and V 2500 engine.	Papers being prepared for Ministers	Discussion in E(A) and probably Cabinet late January	Chancellor CST Mr Lovell	DTI, FCO, MOD, DE _m .
3) European Community expenditure programmes (regional assistance and R & D)	Further report being prepared for Ministers following E(A) decision of principle	Further E(A) discussion in January	CST Mr Chivers	DTI, FCO, SO, WO, NIO, DE _n , DE _m DOE
(4) Freeports	Application being considered by officials. Shortlist to Ministers in January	Clearance by correspondence	Chancellor Mr Chivers	DTI, SO, WO, NIO, DOE, DTp, D EM.
(5) Review of Space Expenditure	Treasury paper will be submitted via an official Committee to Ministers	Possible bilateral CST - SoS for Trade and Industry discussion	Chief Secretary Mr Chivers	DTI, FCO, MOD
(6) British Telecom	BT Bill to become law by Easter: Commons stages completed. Decisions yet to be taken on capital structure and RPI-x formula	Ministerial meetings and correspondence on key issues	Chancellor FST Mr R H Wilson	DTI
		23.		

SUBJECT	STATE OF PLAY	MINISTERS' INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTED DEPARTMENTS
(7) Post Office	Financial and performance targets for 1985-86 and beyond to be decided	Ministerial correspondence likely to settle targets	Chief Secretary Mr R H Wilson	DTI
(8) British Shipbuilders	Total level of support and thus the size of the industry to be discussed at E(NI) in January	Secretary of State for Trade and Industry in the lead	Chancellor Chief Secretary Mr R H Wilson	DTI ScO FCO (EEC aspects)
(9) British Shipbuilders Warshipbuilders Privatisation	Officials examining report from Schrodgers prior to further discussion probably at E(DL) in late January	Secretary of State for Trade and Industry in the lead	Financial Secretary Mr R H Wilson	DTI
(10) Strikes in Essential Services	Following ad hoc Ministerial Meeting on 3 November chaired by PM. Secretary of State Employment to produce further paper in January	Chancellor	Chancellor Mr Gordon	Home Office DTI DE DoE DHSS Cabinet Office
(11) Employee Involvement	Meeting to consider policy against manifesto commitment on 15 December	Chancellor	Chancellor Mr Gordon	DE FCO DTI
(12) Special Employment Measures: Annual Review	Interdepartmental Review will be carried out in March/April	Consideration at E/E(A) in June or July	Chancellor Mr Lovell	D Emp DTI DHSS DES

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTEREST DEPARTMENTS
<p>17. <u>PAY</u> i. 1983-84 pay round</p> <p>ii. Economic evidence to Review Bodies</p>	<p>Chancellor has considered review by officials of pay prospects. Work is in hand leading to a. in next column</p> <p>Core evidence submitted to Chancellor. Supplementary evidence on individual groups being prepared.</p>	<p>a. Possible speech by Chancellor on pay and general letter to colleagues.</p> <p>b. Ministerial correspondence on individual negotiations and discussion in E(PSP) of results of monitoring and of issues identified by officials.</p> <p>Consideration of economic evidence.</p>	<p>Chancellor CST MST Mr Kemp</p> <p>Chancellor Mr Kemp</p>	<p>DEm and departments responsible for pay negotiations.</p> <p>MOD DHSS LCD</p>
<p>18. <u>CIVIL SERVICE PAY AND MANPOWER</u> <u>PAY</u> i. Longer term arrangements for pay of non-industrial grades of Civil Service</p> <p>ii. 1984 pay review for non-industrial grades of Civil Service. (May also include review of hours).</p>	<p>Discussions in progress with Council of Civil Service Unions aimed at reaching draft agreement by summer of 1984.</p> <p>Arrangements agreed with CCSSU for data collection to inform negotiations. Report by OME on private sector pay movements expected end March 1984 for 1 April settlement date.</p>	<p>Periodic reports to Treasury Ministers as discussions develop. Report by Chancellor to colleagues when negotiations have established options.</p> <p>Consideration by Treasury Ministers of negotiating position, spring 1984. Consultation with colleagues as negotiations develop.</p>	<p>Chancellor MST Mr Kemp</p> <p>Chancellor MST Mr Kemp</p>	<p>Prime Minister MPO DEm Main employing department</p> <p>Prime Minister MPO DEm Main employing departments</p>

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTEREST DEPARTMENT
iii. Pay of Higher Civil Service	TSRB due to report March/April to Prime Minister.	Decision by Prime Minister in consultation with close colleagues following TSRB report	Chancellor MST Mr Kemp	Prime Minister. All departments
v. New pay system for JCC grades of industrial civil servants	Without commitment discussions in progress with trade unions	Decision early 1984 on line to be taken in further discussions	Chancellor MST Mr Kemp	MOD, PSA, DHSS, DEM, MPO
. 1984 pay review for industrial civil servants	Claim usually received in March for settlement due 1 July.	Consideration by Treasury and employing departments' Ministers of negotiating position	Chancellor MST Mr Kemp	MOD, PSA, DEM, MPO
i. Performance related pay.	Proposals for experiments prepared by MPO in consultation with Treasury and major employing departments	Consideration of MPO proposals early in New Year.	Chancellor MST Mr Kemp	MPO All
MANPOWER				
(i) Managing Civil Service manpower rundown	Ministers to consider total of bids for 1.4.84 and 1.4.85 in Estimates and to review in 1984 PES the figures recently agreed up to 1.4.88	Submissions as necessary	Chief Secretary Minister of State Mr Bailey Mr Wilding Mr Scholar	All
(ii) Contracting out	Paper reviewing progress on contracting out to be prepared	Report to Cabinet promised for-July 1984	Chief Secretary Minister of State Mr Bailey Mr Wilding Mr Scholar	All
(iii) Scrutiny of departmental running costs	Report to the Prime Minister on 1983-84 Scrutiny will be required, plus submission setting out proposals for 1984-84 Scrutiny	Report by Chief Secretary on 1983 Scrutiny needed about end April 1984	Chief Secretary Minister of State Mr Bailey Mr Wilding Mr Scholar	All

SUBJECT	STATE OF PLAY	MINISTERS' INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTED DEPARTMENTS
<p><u>19 PUBLIC SERVICE PENSIONS</u></p> <p>(i) Parliamentary pensions and allowances</p> <p>(ii) Action on public service pension contributions including making civil service scheme contributory</p>	<p>TSRB recommendations accepted subject to higher accrual rate. Bill in preparation</p> <p>Under discussion in official Cabinet Office Committee. Interim report in preparation</p>	<p>Bill to be taken through</p> <p>Interim report to Cabinet or sub-group of Ministers in February</p>	<p>Lord Privy Seal MST Mr St Clair</p> <p>Chancellor MST mr Kemp</p>	<p>Prime Minister Cabinet Office Home Office</p> <p>Cabinet Office DHSS DOE HO DES SO</p>
<p><u>20 POST PRIVATISATION: TERMS & CONDITIONS</u></p> <p>(i) Public Services (Transfer of Functions) Bill</p>	<p>Submission to CST suggesting circulation to colleagues of final draft Memorandum to be sent to European Commission</p>	<p>Ministerial correspondence. Further Cabinet discussion in February in light of European Commission's response</p>	<p>CST MST Mr St Clair</p>	<p>Most Departments especially MPO MOD DOE DTp DHSS DEM</p>

SUBJECT	STATE OF PLAY	MINISTERS INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTEREST DEPARTMENTS
21. <u>CCTA/Technology</u> REVIEW OF CCTA	REPORT DUE IN JANUARY	MINISTERIAL CORRESPONDENCE	CHANCELLOR, MINISTER OF STATE (COMMONS) DR FREEMAN	ALL
22. <u>PUBLIC BODIES</u> <u>STRUCTURE AND</u> <u>STATUS</u> (i) Review of ECGD's status (ii) Crown Agents	Independent Committee expected to report March-April Further consideration of future may be required (depending on decisions reached in December 1983)	Submission of report. Decisions on recommendations Ministerial correspondence or discussion	CST Mr Mountfield Chancellor CST Mr Mountfield	ECGD DTI MPO ODA DTI MPO

SUBJECT	STATE OF PLAY	MINISTERS' INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTED DEPARTMENTS
23 <u>HOME AFFAIRS</u>				
(i) Independent National Radio	Home Office financing proposals for inclusion in current Cable bill	Discussion in H	Chief Secretary Miss Kelley	HO
(ii) TV Licences in Hotels	Home Office preparing fresh scheme	Correspondence or H discussion	Minister of State Miss Kelley	HO DTI SO WO NIO
(iii) Interim payments of legal aid	Possible proposal for a permanent scheme, subject to progress on securing greater control over civil legal aid	Possible discussion in H	Chief Secretary Miss Kelley	LCD Law Officers' Department
(iv) Independent prosecution service in England and Wales	Comments invited on proposals made in White Paper published in October 1983, with inter-departmental official group set up to consider detailed arrangements	Possible discussion in H	Chief Secretary Miss Kelley	Home Office Lord Chancellor's Office Cabinet Office (MPO) DOE Law Officers' Department

SUBJECT	STATE OF PLAY	MINISTERIAL INVOLVEMENT	MINISTERS/OFFICIALS IN THE LEAD	OTHER INTERESTS DEBTS
24 <u>European Issues</u>				
(1) European Community Budget 1984	Awaiting European Parliament's adoption	Ministerial correspondence and Budget Council	EST Mr Fitchew	FCO Cabinet Office MAFF
(2) European Community Budget 1985	Budget Council in July 1984 will consider Commission's preliminary Draft Budget (published in June)	"	"	"
(3) 1982 refunds	Community still owes £42 million net on our interpretation of 1982 refund agreement. Being pursued in the Council and Commission	Ministerial correspondence and discussion	EST Mr Fitchew	"
(4) 1983 refunds	Budgetary provision depends on European Parliament. Regulations now tabled by Commission, awaiting adoption in early months of 1984.	"	"	"
(5) Future financing of Community	Following failure to agree at Athens European Council, we await proposals from incoming French Presidency on procedure for taking negotiations forward.	" (FCO in lead)	"	"

SUBJECT	STATE OF PLAY	MINISTERS' INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTED DEPARTMENTS
(6) Attribution/Non additionality of EC expenditure	Remitted to officials by E(A) to devise an ineffective mechanism to prevent additionality. Report back to E(A) early next year		Chancellor Chief Secretary Mr Fitchew	FCO Cabinet Office Spending Departments

ITEMS DROPPED FROM PREVIOUS NOTE

16/12/83

<u>ITEM</u>	<u>OUTCOME</u>
<u>General</u>	
Procedure (Finance) Committee Report	Financial Secretary gave Government's response to the Committee's recommendations in debate on 6 December. No further formal response planned, though continuing work on some recommendations
<u>Macro-Economic Policy</u>	
Autumn Statement	Announcement on 17 November
<u>Tax</u>	
National Insurance Surcharge	No change in rates announced in Autumn Statement. Upper Earnings Limit rose with UEL of NIC
Personal Taxation (NICIT)	Work suspended after Ministerial consideration
<u>Public Expenditure</u>	
1983 Public Expenditure Survey	Completed by November 10
<u>Agriculture</u>	
Provision for agriculture in 1983-84 EC Budgets	Expenditure kept within 1983 Budget by delaying payments 1984 provision likely to be under heavy pressure in second half of 1984
Integrated Mediterranean programmes	Discussions continuing but EC in the lead
Hill allowance and marginal land	Settled in PES
Fisheries restructuring	Settled in PES (and in October within EC)
Food stockpile	Babyfood proposals rejected in PES
<u>Arts and Heritage</u>	
Income producing activities of national museums and galleries	Need for Ministerial involvement during the period now seems unlikely; officials will pursue in context of Financial Management Initiative
Rayner scrutinies of Royal Opera House and Royal Shakespeare Company	Reports delivered and main decisions involving Treasury now taken
Future of South Bank arts complex	Subsumed in the wider new item (ii)

Defence

MOD Civilian Manpower after 1984

Decisions taken in PES discussions in October

MOD charges for military training given overseas

MOD proposals presented in a paper to the Prime Minister and approved in July 1983

AFPRB report on Service Doctors and Dentists

Report approved by Prime Minister in July 1983

1983 Review of London Weighting for the Armed Forces

Joint MOD/Treasury draft evidence to AFPRB agreed and submitted in October

Renegotiation of US/UK Cost Sharing Arrangement

MOD actions now complete. Outstanding issue is PSA staff costs (LG to lead)

Education and Science

X Student loans

X In cold storage; some Ministerial colleagues strongly opposed

Wider parental choice/education vouchers

Voucher scheme rejected; further work in DES unlikely to come to Ministers collectively during the period

Student numbers in higher education

Resolved for the immediate future; policy now based on the lower of two DES projections of qualified demand

ACARD/ABRC report on improving research links between higher education and industry

Subsumed in the group of issues recorded at new item (i)

Health

Cash limiting the Family Practitioner Service

Consultants' report received in July. Recommends against cash limits given present arrangements, but offers ways of improving control, cash consciousness and forecasting which might make cash limiting feasible in future. Publication planned for mid-December with Government commitment to implement: legislation expected 1984-85 session

Local authorities

Defective Housing: Assistance to purchasers

Collective agreement on scheme reached Autumn 1983

Dog Licences Abolition

Secretary of State for Environment to bring forward major proposals on dogs

Hansard Pricing

Collective agreement reached Autumn 1983

OS financing

DOE to bring forward proposals December 1983

Purchase of Millbank

DOE to explore practicalities - finance to be dealt with as bid on reserve

Reorganisation of PSA

Meeting under Prime Minister's Chairmanship to resolve in December

Social Security

National Insurance Contribution Review

Review for 1984-85 contributions concluded. Announced in the Autumn Statement. Next review begins September 1984

New disabled persons invalidity pension

Health and Social Security Bill 1983 includes new severe disablement allowance. (First reading 2 December.)

Quinquennial Review of State Earnings Related Pension Scheme

Issue referred to Pensions Enquiry (see Annex A)

NICIT

Further work subsequently undertaken on various schemes for tax/benefit integration. FST has indicated he does not want any more work on this subject, at present

DHSS National Unemployment Benefit Scheme (NUBS) Computers

Prime Minister accepted recommendation that control should remain with DHSS

Management of NUBS Computer system

Prime Minister agreed DHSS should retain management

Transport

Profits of duty free shops at airports

Work on review suspended pending further progress on privatisation

British Rail PSO grant for 1983

Agreed determination at £819m in October

Brief for new BR Chairman

Published in October

Appointment of new BR Chairman

Mr Bob Reid appointed in September

Serpell Report: report of official committee

Considered by E(NI) in September

London Regional Transport

Bill now drafted and awaiting second reading

Review of BR EFL

Not now considered necessary

Nationalised Industries

EFL's for 1984-85, 1985-86, 1986-87

IFR now complete

Paper on Strategic/Structural issues (following CPRS report on state monopolies)

Subsumed in E(A) discussion of privatisation programme

New Capital Structures

Bilateral discussions on individual industries pricing and related policies has pushed back collective consideration of new capital structures

Nationalised industries' pensions. Extent to which nationalised industries have contingent liabilities for their pension funds

Remit satisfied with submission from Mr Grimstone to Chancellor of 19 September

Nationalised industry Board pay increases in 1982

All have now been settled

Energy

North Sea Taxation legislation on royalty relief and shared assets

Oil Taxation Act 198 received Royal Assent 1 December

International

Review of plans for official foreign currency borrowing

Paper submitted on 20 July 1983

Brazil Contingency Study

Paper sent to No 10 on 21 July with follow up work reported to Chancellor on 3 October

IMF access limits

Agreement reached on 25 September on basis of UK proposal

Export Credit Consensus

Agreement on automatic system reached in October

Industry & Employment

Post Office
DOI paper on privatisation possibilities

Subsumed in the series off Ministerial bilaterals on privatisation

British Telecom Study Group
on Regulation of BT

Raised in Ministerial correspondence before March

Post Office

Subject for MMC reference agreed and announced

BSC

Discussions between US and BSC on possible slab deal still in train, but now thought unlikely that any joint venture will be agreed

Cable and Wireless
Secondary Offer

Sale undertaken in December 1983

Funding of vocational Education
and Training
Review of Regional Economic Policy

Discussed at E(A) in December 1983

White Paper published in December

Review of Leyland Vehicles

To be considered again in the context of BL's Corporate Plan

Rolls Royce RB-211-53SE4 engine

Launch aid for engine agreed

Future of Rolls Royce

Presentation held at No 10 in November. Issue subsumed within V2500 launch aid issue

Civil Service Pay and Manpower

Rayner scrutiny of Civil Service catering

Industrial Civil Servants' pay review
for 1983

Manpower control after 1984

Public Service Pensions

Parliamentary pensions and allowances

Government statement issued in December

4.86% settlement agreed effective 1 July 1983

Decisions announced on 17 November

Pay set up to 1987

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(PWP)

Mr Middleton.
Mr Battiskill
Miss Goodman.
BIR. PS/CEE.

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

23 December 1983

M S Buckley Esq
Cabinet Office
70 Whitehall
LONDON SW1

Dear Michael,

I enclose our response, covering the Treasury and the Chancellor's other Departments, to your letter of 25 November about business likely to come forward between January and Easter.

Copies of this letter go to Chris Brearley and Andrew Turnbull.

Yours etc.
J O Kerr

J O KERR

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TITLE/MAIN ISSUE	CABINET/ COMMITTEE/ SUB-COMMITTEE	DATE LIKELY TO GO FORWARD	DEPARTMENTS WITH A MAJOR INTEREST	PREVIOUS DISCUSSIONS	OTHER COMMENT
Departmental responsibility for EC expenditure programmes	E(A) Committee	early January	FCO and most spending Departments, but especially DTI, D.En, MAFF and DES	E(A)(83)8th Meeting	Officials have been asked to do further work in preparation for a second Ministeri meeting

TITLE/MAIN ISSUE	CABINET/ COMMITTEE/ SUB-COMMITTEE	DATE LIKELY TO GO FORWARD	DEPARTMENT WITH A MAJOR INTEREST	PREVIOUS DECISIONS	OTHER COMMENTS
Privatisation programme	E(A)	Late January	Departments with privatisation interests	E(A)(83)6th Meeting	-
Nationalised Industries Quarterly Monitoring Report (end December)	E(NI)	Early March	All nationalised industry sponsor Departments	Regular business	-
Desirable changes in nationalised industry statutes	E(NI)	February	All nationalised industry sponsor Departments	E(NI)(83)5th Meeting	-
Nationalised Industries Board Pay and Appointments (covering the appointment and method of fixing the pay of Board members; strengthening powers of dismissal and compensation; and to enable employment contracts to be offered).	E(NI)	January	All nationalised industry sponsor Departments	E(NI)(83)9th Meeting	-



TITLE/MAIN ISSUE	CABINET/ COMMITTEE/ SUB-COMMITTEE	DATE LIKELY TO GO FORWARD	DEPARTMENTS WITH A MAJOR INTEREST	PREVIOUS DISCUSSIONS	OTHER COMMENT
Pre-Budget Economic Cabinet	Cabinet	9 February (provisional)	All		
Budget Cabinet	Cabinet	13 March (provisional)	All		
PUBLIC SECTOR PENSIONS Carrying out Manifesto commitment to ensure 'realistic contributions' are paid; consideration of making civil service scheme contributory and of reforming the methods of financing public service schemes	Cabinet or E(PSP)	February	All, but particularly Cabinet Office, DOE, DHSS, DES, HO, SO, MPO	Remit given by Cabinet on 15 September	Timing of implementation will be related to pay settlement dates
PUBLIC SERVICES (TRANSFER OF FUNCTIONS) BILL Legislation needed to facilitate privatisation from civil service & NHS. Limits circumstances in which redundancy compensation is payable and provides for buying-out of detriment	H	February	All those concerned with privatisation, especially MPO, MOD, DOE, DTp, DHSS, DEM	General policy approval given by H on 17 Jan 1983, but policy modified in subsequent Ministerial correspondence in light of Law Officers' opinion	Policy may require further modification in light of European Commission's response to the Memorandum to be sent to them in early January
Public Sector Capital Spending	Cabinet	During January	All Departments with capital programmes	Cabinet on 10 November	Cabinet conclusion on 10 November compatible with a later discussion

TITLE/MAIN ISSUE	CABINET/ COMMITTEE/ SUB-COMMITTEE	DATE LIKELY TO GO FORWARD	DEPARTMENTS WITH A MAJOR INTEREST	PREVIOUS DISCUSSIONS	OTHER COMMENTS
1. <u>Rates</u>					
i. Non-Domestic Revaluation	Not known yet	January	Treasury, DoE	Misc 79	White Paper Commitment 1 August 1983 to set work in train. Early announcement of effective date required.
ii. Domestic Revaluation	Not known yet	January	Treasury, DoE	Misc 79	Comments on DoE's proposals and draft consultation document will be required.
2. <u>Taxation of Husband and Wife</u>					
To confirm publication and consider draft of a second consultative document, setting out Government's response to the Green Paper and seeking further public reaction.	Probably E	January or February	DHSS	Discussed in Family Policy Group on 30 November 1982.	Aim to publish as soon as possible in 1984.

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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3. Building Societies

Consultative document on proposals for new legislation.

E

Currently under consideration.

Treasury
Registry of
Friendly Societies
DoE

Manifesto commitment to early consultations on proposals to enable building societies to play a fuller part in supporting the provision of new housing and to bring up to date the laws which govern this.

SUBJECT	STATE OF PLAY	MINISTERS' INVOLVEMENT	MINISTERS/ OFFICIALS IN THE LEAD	OTHER INTERESTED DEPARTMENTS
25. <u>INTERNATIONAL</u>				
(i) Aid strategy and framework.	Prospects paper due by March; proposed aid framework by June.	<u>Ministerial correspondence.</u>	Chancellor CST Mr Mountfield	ODA, FCO, DTI, Bank, ECGD
(ii) Replenishment of IDA	Decision on IDA7 required by early in new year if not already settled.	<u>Ministerial correspondence.</u>	Chancellor CST Mr Mountfield	ODA
iii) Renewal of Lomé Convention	Negotiations between EC and recipient countries under way.	<u>Ministerial correspondence.</u>	CST Mr Mountfield	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.	<u>Meeting of E(S) in due course.</u>	Chancellor Mr Mountfield	DTI, FCO
(v) Development Committee	Mid-May in Washington. Will discuss trade and development; and private investment.	<u>Chancellor likely to attend.</u>	Chancellor Mr Mountfield	DTI, ODA

SUBJECT	STATE OF PLAY	MINISTERS' INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTED DEPARTMENTS
(vi) Yugoslavia - debt restructuring	International meetings Jan-Feb	Submission on proposed package	Chancellor Chief Secretary Mr Mountfield	FCO ECGD
(vii) Poland - debt rescheduling	Resumed Paris Club meetings - Jan	Submission on terms of any package	Chancellor Chief Secretary Mr Mountfield	FCO ECGD
(viii) Argentina - debt etc	Discussions with IMF on new programme early in New Year, followed by possible approach to Paris Club and further commercial loan drawings	Decisions needed on UK attitude to programme and UK partici- pation in Paris Club and commercial loans	Chancellor Chief Secretary Mr Mountfield	FCO ECGD
(ix) Nigeria rescheduling	Informal soundings from Nigerian Government. UK may be asked to chair non-Paris Club meeting	Decisions needed on procedure and substance	Chancellor Chief Secretary Mr Mountfield	FCO ODA ECGD
(x) Brazil - new package	Timing difficult to foresee. Depends on whether present package sticks together	Decisions likely to be called for on further rescheduling/new money	Chancellor Chief Secretary Mr Mountfield	FCO ECGD BOE
(xi) IMF issues	Interim Committee in April or May	Chancellor to attend	Chancellor Mr Littler	ODA Bank
(xii) International Monetary Reform	Discussion taking place among Deputies. G10 Ministers to meet March/April Commonwealth Group to follow up New Delhi	Chancellor to attend -	Chancellor Mr Littler Mr Littler	Bank Bank
(xiii) OECD	Ministers' seminar 13/14 February	Chief Secretary to attend	Chief Secretary Mr Littler	Trade/Employment FCO

SUBJECT	STATE OF PLAY	MINISTERS' INVOLVEMENT	MINISTERS/ OFFICIAL IN THE LEAD	OTHER INTERESTED DEPARTMENTS
(xiv) G5 Group	Ministers' meeting 12 February	Chancellor to attend	Chancellor Mr Littler	
(xv) 1984 Summit	Sherpas to meet in February and April. UK to prepare thematic paper. Summit meeting 8-10 June	Chancellor to attend Summit	Chancellor Mr Littler	No 10 FCO
(xvi) Review of official foreign currency borrowing programme and future options, including implications of planned privatisation measures, and possible new borrowing by energy industries	Draft paper in preparation	Submission to Ministers before Christmas 1983	Economic Secretary Mr Lavelle	Bank Energy DTI Transport
26 <u>CISCO</u>				
(i) Trading Fund Status	Government decision that CISCO is to have Trading Fund Status as soon as practicable (target date 1.10.84)	Submission in this financial year on the timetable	Minister of State Mr Kemp Mr Allan Mr Simpson	Cabinet Office (MPO) Efficiency Unit
27 <u>PRESENTATION</u>				
(i) Post-Budget pamphlet	COI conducting market research on Treasury text. Results of research end-Jan. Text to be available for printing immediately post-Budget		Minister of State Mr Hall	COI

