

• PO-CH/NL/0369 P T E

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PO -CH /NL/0369



PART E

1988 PRE-BUDGET DAY  
PAPERS

PO -CH /NL/0369

PART E

DD's 25 years NAGIS as 1-12-95.

23-2-88



The attached Aide Memoire is due to be circulated at the end of the week. Any comments to me by FROM: A A DIGHT close of play DATE: 19 February 1988 on Friday 19 February.

Tony 17/2

- MR A C S ALLAN
- MR TAYLOR
- MISS WALLACE
- MR HUDSON
- MRS THORPE
- MR TAYLOR
- MR LYONS
- MISS MURPHY
- MRS SPRAGG
- MRS R MODOS
- MISS RUTTER
- MS EVEREST PHILLIPS
- MR HEYWOOD
- MISS FEEST
- MR BARNES
- MR WESTHEAD
- MR JUDGE
- MRS CHADWICK
- MR SARGENT
- MR MONCK
- MR LANKESTER
- MR CULPIN
- MR TURNBULL
- MR ODLING-SMEE
- MISS C EVANS
- MRS BURNHAMS
- MR MICHIE
- MR K SEDGWICK
- MR PICKFORD
- MISS SIMPSON
- MS L HOOSON
- 1 MR R I G ALLEN
- 2 MR BUSH

Handwritten notes: HAD, Please get your with me, I'm in a way, quick need, it's done for me.

- MR GUNTON
- MR FLITTON
- MR R EVANS
- MISS E EDWARDS
- MR P EDWARDS
- MR DYER
- MR R SAVAGE
- MR G HAYDON
- MS F BOGAN
- MR HOUMANN
- MRS J DALY
- MR N FRAY
- MISS M FINNEGAN
- MISS K RUSSELL
- MRS P WILKINS
- MISS S WALLIS
- MR A NICHOLLS
- MR T DAVIES
- MR D SAVAGE
- MR C KNIGHT
- MR PORTEOUS
- MR RAWLINGS
- MR M RALPH
- MISS TITMUSS
- MR CROPPER
- MR TYRIE
- MR CALL
- MR N FORMAN MP H/C
- PS/INLAND REVENUE
- PS/CUSTOMS AND EXCISE

Amendments: Item 14, 17, 28, 90(c), 90(h), 90(m)

Handwritten notes: 14 copies of speech etc (99), is 248 right? I think RA is responsible, 24c, no-one by it - budget not on business, At the EPR date compatible with timetable, Miss Edwards has written.

1988 BUDGET AIDE MEMOIRE

I attach this year's Aide Memoire. Many thanks to those who contributed to it.

Mr Dight - small amendments worked with X John Firth IDT (x5188)

A A DIGHT

Handwritten initials and date: 19/2

## 1988 BUDGET AIDE MEMOIRE

AA	Alex Allan	(4330)
JT	Jonathan Taylor	(4519)
MW	Moira Wallace	(5004)
AH	Andrew Hudson	(5021)
JTH	Julie Thorpe	(5011)
AD	Anthony Dight	(5012)
PT	Paul Taylor	(5014)
TL	Tony Lyons	(5013)
SM	Sarah Murphy	(5015)
PS	Pat Spragg	(5167)
RM	Rosa Modos	(5168)
RC	Robert Culpin	(4419)
CE	Carys Evans	(5170)
TB	Teresa Burnhams	(5179)
KS	Kevin Sedgwick	(5169)
SP	Steven Pickford	(4549)
JS	Judith Simpson	(5211)
LH	Lourie Hooson	(5208)
RA	Richard Allen	(4420)
HB	Harry Bush	(5252)
MG	Michael Gunton	(5187)
JF	John Flitton	(5188)
RE	Richard Evans	(5245)
EE	Eleanor Edwards	(5251)
PE	Peter Edwards	(5248)
BP	Brian Porteous	(4830)
RR	Rod Rawlings	(4889)
DS	David Savage	(5546)
PC	Peter Cropper	(4359)
CT	Chris Titmuss	(4840)
BD	Brian Dyer	(4520)
RS	Richard Savage	(5006)
TJD	Tony Davies	(5163)

ACTIONPreparation in weeks before the Budget

- |      |   |                 |
|------|---|-----------------|
| (1)  | Arrange audience of The Queen with her Private Secretary<br>Clear date of Budget with No.10 (checking that there are no State Visits, Archbishop's enthronements etc).  | JTH/MW<br>TB/AA |
| (2)  | Check with Speaker on allocation of guest seats available.  | JTH/MW          |
| (3)  | Consult Chancellor on distribution of seats. Make arrangements for collection of tickets for Speaker's Gallery and under the Gallery. Inform other guests of arrangements for collecting the tickets for Distinguished Stranger's Gallery and Speaker's Gallery (East).                   | JTH/MW          |
| (4)  | Arrange for sufficient 1075 machines, stocks of paper <u>and a mechanic on call</u> to be available from Saturday before Budget Day.  | AD/RR           |
| (5)  | Arrange for TV Broadcast, in conjunction with Chief Whip's Office. Discuss arrangements for TV Broadcast with the BBC.  | RA/JF           |
| (6)  | Arrange for members of Chancellor's Registry and volunteers from other Private Offices' clerks, if required, to be available to collate papers on weekend of 12/13 March and on Budget Day. (For IDT as well).<br>Check with EOG (David Lodge) for overnight accomodation to be provided. | AD              |
| (7)  | Submit publicity arrangements to Chancellor.  | RA              |
| (8)  | Make arrangements for providing Press Gallery (P.A.), P.A. Newsroom, Reuters, Tele-Rate, BBC, ITN, IRN, Oracle, Ceefax and Financial Times with Speech section by section (see item 90).  | AD/JF           |
| (9)  | Arrangements for laying of White Papers, etc.   | BD              |
| (10) | Circulate roster of Ministers covering Treasury Bench and officials covering official box (or available on the 'phone) for Budget Statement, remainder of Budget Day and three days of subsequent Debate. (Note that Ministers are required for T.V. Broadcasts.)                         | MW              |

16 Sitting Days before Budget Day

- |      |  |                 |
|------|--|-----------------|
| (11) | Contact Mr Forman to confirm that a Member will sleep overnight in the Conference Room adjacent to the Public Bill Office (Whips Office provide a put-u-up) so that notice of a Ten Minute Rule Bill can be handed in immediately the Public Bill Office opens (circa 10.00am) the following morning <u>Tuesday, 23 February</u> . | BD/Nigel Forman |
|------|--|-----------------|

Two weeks before Budget Day

- |      |  |       |
|------|--|-------|
| (12) | Seek Chancellor's wishes as to speakers in Debate; inform them and the Whips. Take into account Ministers' TV and Radio engagements. | AA/RA |
|------|--|-------|

(13) MG to organise arrangements for Budget Box photograph.  
Budget box to be collected from Office Services.

MG

(14) Draft of T.V. Broadcast to be produced and circulated for comment.

MG/PE/AH

(15) TB co-ordinate along with PE, BD and MW, letter to Departments and Departments' Chief Press Officers (PE to provide names of Chief Press Officers) "about detailed arrangements for production of Press Notices and clearance of post Budget Statements" including number required (see Annexes). TB send similar note to Treasury Divisions and Revenue Departments. Letter to give deadline for arrival of PN's (midday Friday 11 March). EB to get advance copies of PN's. (TB to confirm number of PNs expected per Department).

SP/TB/PE/MW/BD

**(Inland Revenue PN's to arrive no later than 10.00am on Sunday 13 March)**

(16) Prepare addressed envelopes or labels for those listed below under Items 18,90,97,98,102,104,120,121,122.

Chancellor's Office

**Week before Budget**

(17) Budget Box photograph at HMT. <sup>10 March</sup> ~~(Get a firm date)~~.

MG

(18) Make arrangements for those entitled to collect copies of Speech, Snapshot, FSBR, Resolution, CST Summary & Guide, EPR Supplement, Press Notices and other Command papers from Enquiry Room after the Chancellor has sat down\* viz:

AD

\* (ensuring that the Press are kept separate from Diplomats, CBI etc).

- |                                       |  |
|---------------------------------------|--|
| (a) NEDO (211 3000)                   | )Each to have 3 (CBI to receive 4) copies of Speech, |
| CBI (379 7400)                        | )Snapshot, FSBR, Command Papers and                  |
| TUC (636 4030)                        | )any Press Notices + 1 Resolution for CBI            |
| NICG (235 2020)                       |  |
| Conservative Research Dept (222 9000) |  |

NB. CBI package to be given to Mr Monck along with his own advance package (Mr Wynn Owen to assist in liaising with CBI for collection of package).

(b) TL to arrange with IF2 Division (DS) to collect for issue after Budget Speech sets of 1 copy of each of the above documents to Australian and New Zealand High Commissions, EEC Diplomatic Missions, US Embassy, Canadian High Commission and Japanese Embassy (22 sets in all). Check with IDT/IF2 whether any other Embassies have requested Budget Docs, and alter no's required accordingly. IF2 prepare envelopes.

TL/DS

(c) RR to arrange shuttle flight for K Sedgwick to take package(s) to Scotland.

RR

(19) TB confirm with Parliamentary Counsel's Office, IR, C&E, Treasury Divisions and other Departments for correct number of copies of Resolutions, Command Papers and any Press Notices to be delivered to AD and RR in CRU as appropriate (see Annex) by midday on Friday 11 March at the latest. TB to arrange for correct number of copies of FSBR to be delivered by 9.00 a.m. on Tuesday 15 March. TB

(20) Check with FP/GE & MW precisely which documents will be in Budget package (eg. any Command Papers), and let RR know. AD/RR

(21) AD to check despatch arrangements with Foreign Office (May Gibson 210-6128) for guidance telegram to overseas posts on Budget Day. AD

(22) All offices to inform RR of requirements for messengers, security guards and vans. RR to send reminder to offices asking them of their requirements. RR

(23) BD to write to Vote and Printed Paper office concerning embargoes to be observed on the FSBR and related documents. BD

Tuesday 8 March

(24)(A) First draft and structure of Backbenchers' Brief cleared with officials, including EB and FP. PC/EB/FP

(B) Draft EPR Supplement to Chancellor. RA EE/PE

(C) Draft notes for Queen and overseas posts to Chancellor.

Wednesday 9 March

(25) EB to provide draft of key briefs to Treasury Minister's Offices. (2 copies for Chancellor's Office, 2 copies for other Ministers). EB

(26) FP to clear with the Chancellor the number and subject of expected press notices and the order in which they are to be collated. FP

Thursday 10 March

(27) Inform IDT of likely length of Speech. AA/RA

(28) Contact Cannon Row Police Station to ensure crowds are allowed to congregate behind barrier opposite No.11 for benefit of photographers when he leaves for the House. (Clear with No.10 security co-ordinator) JF MG

(29) EPR Supplement to printer EE/PE

(30) EB to receive Chancellor's comments on drafts of key briefs. Meeting if necessary. AA/EB

(31) Draft of Backbenchers' Brief to Chancellor. PC

(32) FSBR book proofs for chapters 4,5, and 6 to Chancellor. CE

Friday 11 March

- (33) FSBR book proofs for chapters 1,2, and 3 to Chancellor. CE
- (34) Work as necessary to produce final version of speech. AA
- (35) Send copy of latest draft of Speech to PM if Chancellor wishes. AA
- (36) RE to submit draft Snapshot to Chancellor's Office having cleared with FP and EB (to be shown to Chancellor). CE/EB/RE
- (37) Finalise arrangements with BBC for TV Broadcast. JF
- (38) Final version of summary for The Queen and overseas posts submitted to Chancellor. RC
- (39) EPR proof to Chancellor RA
- (40) Submit final draft of TV broadcast if available. Chancellor's Budget Broadcast meeting. (If necessary). AH
- (41) Check with AA whether any other Ministers or officials are to receive advance copies of Budget documents other than those at Annex. AD/AA
- (42) Check arrangements for despatch of overseas copies of speech etc. with the FCO. (see item 120). AD
- (43) Chancellor's comments on backbenchers' Brief to Special Advisers. AA/PC
- (44) Check catering and sleeping arrangements for Chancellor's office for 11 and 14 March. AD/RR
- (45) JTH to check with BD to ascertain timing of main speakers in Budget Debate, and leave time free in the Chancellor's diary so that he may (if he wishes) listen to the main speakers. JTH/BD
- (46) JTH to co-ordinate Chancellor's meeting with the Backbench Finance Committee JTH
- (47) Check arrival of press notices against numbers expected (see Annex). Issue required numbers to AD and Committee Section in accordance with list in Annex. Comm Section/AD

SATURDAY-MONDAY

Saturday 12 March/Sunday 13 March

- (48) Collation of Press Notices by Committee Section and volunteers (NB 1150 collated sets of the Budget Snapshot, the EPR Supplement and related Treasury and other Departmental PNs are required by Parliamentary Section). BP/RR
- (49) Chancellor comments on FSBR book proofs. Proofs returned to printer by NOON. CE



- (50) Chancellor: photo-call. MG
- (51) Type Snapshot on A4 paper. IDT/EB
- (52) EPR proof to printer (with Chancellor's comments), by Noon. EE/PE
- (53) Press Officers in office on Sunday morning to read available Budget material. Press Officers
- (54) Mr Cropper has Backbenchers' Brief checked for factual accuracy by EB. PC/EB
- (55) Send speaking copy and spare to Chancellor. AD

**Monday 14 March**

- (56) 8.00 a.m. CE sign off final FSBR proof. CE  
IDT sign off EPR proof EE
- (57) Collect Budget Box from IDT. AD/PE
- (58) See item 79 - phone C&E, IR, B of E. TL
- (59) MW to confirm with Tony Davies that he will be available in Speakers Yard to greet Chancellor and Mrs Lawson and show latter to her seat, and to thereafter go to Chancellor's PPS's room to guard over copies (see item 102) while Budget Speech is in progress. TJD/MW
- (60) Chancellor's Office to receive from EB 2 copies of near-final draft of Brief during course of day. LH
- (61) Mr Evans gives Chancellor's Office 2 copies of near-final draft of Snapshot during course of day. RE
- (62) Confirm likely length of speech with IDT to guide radio/TV. AA/RA
- (63) By 12.00 noon: Receive FINAL comments on speech. Start amending speech as necessary. AA/PS
- (64) Check any corrections section by section. Chancellor's Office
- (65) Evening - either obtain confirmation from Chancellor that Speech can be regarded as final or amend speaking copy in accordance with his instructions. Text must be finalised. AA/PS
- (66) Final check of Backbenchers' Brief by EB. PC/EB
- (67) Produce index for speech. Chancellor's Office
- (68) Chancellor due at Buckingham Palace. (Time to be confirmed.) JTH
- (69) Chancellor's Office receive Snapshot from RE for checking. RE
- (70) Check that CST Summary and Guide, Resolutions and EPR Supplement have arrived in Chancellor's Office. AD
- (71) Advisers re-submit Backbenchers' Brief to Chancellor for final approval. PC/AA

- (72) Final check of Snapshot before collating. RE/SP
- (73) CRU roll off 170 copies of Budget Brief. CT
- (74) Photocopy 36 copies of final text for Chancellor's Office
- Chancellor
  - Prime Minister
  - Other Treasury Ministers (4) See Annex
  - Officials and Advisers (22)
  - Private Secretaries (6, including AH)
  - 2 copies for CH/EX's office
- (75) CX's office rolls off 140 copies of speaking copy, 80 copies section by section and 18 unstapled sets. CRU rolls off 1750 copies of snapshot. Chancellor's Office/CRU
- (76) As soon as possible Mr Cropper lets Miss Titmuss have the master copy of the Backbenchers Budget Brief. Miss Titmuss will run off 400 copies. Mr Cropper will arrange for these to be distributed by the Parliamentary Private Secretaries following the Budget Speech. PC/CT

**BUDGET DAY: 15 March**

- (77) 0845: Chancellor (+ family) photocall in St James' Park MG
- (78) Tabling of Budget Resolutions by Parliamentary Counsel. FP
- (79) As soon as final version of brief is available let PS/IR, PS/C&E and BofE know so that they can send a messenger to collect. (Brief may not be ready until very late). AD
- (80) Order taxis to take AH & TL with speech sections to House at 3.00 pm. TL
- (81) 10.00 am: TB to check that FSBR has arrived. TB
- (82) 10.00 am: JF to supervise BBC team at No.11 for TV Broadcast JF
- (83) 10.30 a.m.: Budget Cabinet (time to be confirmed). JTH
- (84) RE to "mark up" (sideline) final version of speech HB/RE
- (85) EB to double-check headlined version of the speech. EB
- (86) By 11 a.m. the "compact" master copy of Speech is to be given to Miss Titmuss in the CRU for 580 copies to be rolled off for distribution to the Lobby and Press Gallery in House of Commons and to IDT (see Items 90 and 93). From Private Office production of Speech send one copy by hand to SP EB Room 97/2) as soon as possible. Copy to be marked up for PA. When master copy of "marked up" speech is returned to the private office, 13 unstapled copies to be made for BBC TV, BBC Radio, IRN, ITN, Reuters, Tele-Rate and PA Newsroom, Financial Times Newsroom, Oracle and Ceefax. CT/TL/SP

- (87) By 11.00 am six copies of speech (run off by AD), FSBR, Command Paper(s), Press Notices, EPR to give to KS (as decided at item 18c) to take to Scotland. (See Item 115) AD/KS
- (88) By 11.00 am RE to give KS a copy of the Snapshot. KS then takes 5 copies. RE
- (89) Inform Leader of House of Lords Office and Mr Christopher (IRSF) that they should collect their packages from PPS's room at the end of the speech. MW
- (90) Prepare packages as follows: Chancellor's Office
- (a) Press Gallery (Mrs J Daly to collect)
- 30 copies of sectioned version of Speech (each section to be marked individually), in separate envelopes each marked with number of section.
  - 1 copy of Snapshot, with each final section (ie 30 snapshots)
- (b) P.A. Gallery (Mr J Flitton to collect)
- 1 unstapled speech with sidelines and headlines for page by page distribution\*
- (c) ITN, Wells Street (Ms F Bogan and Mr A Nichols to collect)
- 16 copies of sectioned version of Speech, in separate envelopes each marked with number of section.
  - 2 unstapled Speech with sidelines and headlines for page-by-page distribution\*
  - 2 envelopes, each containing 1 copy of Speech, Snapshot, CST Summary & Guide, EPR Supplement, FSBR, Command papers and all press notices addressed to:-  
*Nigel Dacre*
    1. ~~Sue Tinson~~, ITN Budget Programme
    2. Economics Editor, Channel 4.(NB: These envelopes to be handed over at the end of Chancellor's speech)
- (d) BBC, TV White City (Mrs R Chadwick and Miss S Wallis to collect)
- 11 copies of sectioned version of Speech, in separate envelopes each marked with number of section
  - 2 unstapled Speech with sidelines and headlines for page-by-page distribution\*
  - 2 separate envelopes, containing 1 copy of Speech, Snapshot, CST Summary & Guide, EPR Supplement, FSBR, Command Papers and Press Notices, addressed to:-
    1. Producer, BBC Budget Programme
    2. James Long: BBC Economics Editor.(NB: These envelopes to be handed over at the end of Chancellor's speech).

- (e) BBC Radio, Broadcasting House (Miss Feest to collect)
- 11 copies of sectioned version of Speech, in separate envelopes each marked with number of section
  - 1 unstapled copy of speech with sidelines and headlines for page-by-page distribution\*
  - 2 envelopes each containing a copy of the Speech, Snapshot, CST Summary & Guide, EPR Supplement, FSBR, Command Papers and all press notices addressed to:-
    1. BBC Economics Correspondent
    2. Producer, PM Budget SpecialNB: These envelopes to be handed over at end of Chancellor's speech
- (f) Independent Radio News (Ms Z Everest-Phillips to collect)
- 5 copies of sectioned version of speech, in separate envelopes and marked with number of section
  - 1 unstapled speech with sidelines and headlines for page-by-page distribution\*
  - 1 envelope enclosing a copy of the Speech, Snapshot, FSBR, CST Summary & Guide, EPR Supplement, Command papers and all press notices, addressed to:-

Mr Douglas Moffit,  
Economic Editor, LBC

NB: This envelope to be handed over at end of Chancellor's speech
- (g) Reuters Newsroom (Mr A Houmann to collect)
- 1 unstapled speech with sidelines and headlines for page by page distribution \*
  - 1 envelope containing a copy of the Speech, Snapshot, FSBR, CST Summary & Guide, EPR Supplement, and all Press Notices addressed to Mr David Keefe, Reuters.
- NB: This envelope only to be handed over at the end of the Chancellor's speech.
- (h) <sup>A.P. Dow Jones</sup> ~~Tele-Rate~~ (Mrs P Wilkins to collect)
- 1 unstapled speech with sidelines and headlines for page by page distribution \*
  - 1 envelope containing a copy of the Speech, Snapshot, FSBR, CST Summary & Guide, EPR Supplement, and all Press Notices to Mr ~~Burkley~~ <sup>Hitchcock</sup>
- NB. This envelope only to be handed over at the end of the Chancellor's Speech.

- (i) P.A. Newsroom (Miss K Russell to collect)
- 1 unstapled speech with sidelines and headlines for page by page distribution. \*
- (j) F.T. Newsroom (Mr G Haydon to collect)
- 1 unstapled speech with sidelines and headlines for page by page distribution. \*
  - 2 envelopes containing a copy of the Speech, Snapshot, FSBR, EPR Supplement, and all Press Notices addressed to:  
Mr David Walker  
News Editor, Financial Times
- NB: This envelope only to be handed over at the end of the Chancellor's speech.
- (k) Oracle (Mr N Fray to collect)
- 1 copy of sectioned version of speech, in separate envelopes and marked with number of section
  - 1 unstapled speech with sidelines and headlines for page by page distribution\*
  - 1 envelope enclosing copy of Speech, Snapshot, FSBR, Command Papers, CST Summary & Guide, EPR Supplement, and all Press Notices, addressed to: Mr Peter Hall, Editor, Oracle.
- (l) Ceefax (Miss M Finnegan to collect)
- 1 copy of sectioned version of speech, in separate envelopes and marked with number of each section.
  - 1 unstapled speech with sidelines and headlines for page by page distribution\*
  - 1 envelope enclosing copy of Speech, Snapshot, FSBR, Command Papers, CST Summary Guide, EPR Supplement, and all Press Notices, addressed to: David Wilson, Manager Teletext.
- Knight*  
(m) Night Ridder (Mr N Dawson to collect)
- 1 copy of sectioned version of speech, in separate envelopes and marked with number of each section.
  - 1 unstapled speech with sidelines and headlines for page by page distribution\*
  - 1 envelope enclosing copy of Speech, Snapshot, FSBR, Command Papers, CST Summary Guide, EPR Supplement, and all Press Notices, addressed to: Mark Leheney (Night Ridder)  
*Knight*

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\* 15 'marked-up' copies of Speech (unstapled) are to be provided by SM by 2.30 p.m.

(91) Check arrival in Chancellor's Office of 89 copies of Resolutions from Parliamentary Counsel's Office, 187 copies of FSBR from HMSO via FP, 155 copies of CST Summary & Guide (from C Night GEP) and 20 Briefs (From EB - first 4 to AA, JT, AH and MW). AD/TB/LH

(92) Issue 187 copies of FSBR, 155 copies of CST Summary & Guide, 89 copies of Resolutions and 5 (as soon as available) copies of Brief from LH, to AD for distribution as in Annex. (Other 4 Briefs to AA, JT, AH and MW). LH/AD

(93) Committee Section pack up documents indicated in parcels addressed as below. (Speeches, etc. should be packed separately in pre-addressed envelopes provided by IDT. Copies of Speech are not provided by Chancellor's Office):- RR/PE

105 copies of Speech and 130 copies of Snapshot 70 copies each of FSBR, HMT's PN, Other Gov. Dept's PN's, other Cmnd Papers to Home Press, Gallery, House of Commons

10 copies of speech and 10 copies of snapshot in separate envelope to "the Secretary, Press Gallery", marked "for OVERSEAS CORRESPONDENTS".

The above parcels should then be packed for transmission to the House.

(94) Start collation of full text of Speech with index and checklist. Chancellor's Clerks and Typists

(95) Before 12.00: MW gives copy of speech to BD who will let Speaker's Private Secretary know roughly how long Speech will last. MW/BD

(96) Parliamentary Section to be given 6 copies of FSBR by TB for laying before Parliament. TB/BD

(97) By 12.30 p.m.: Make up and despatch SECRET envelopes containing

1 copy each of Speech, FSBR, Resolutions, Command Papers, CST Summary & Guide, EPR Supplement, Snapshot + Press notices to:- Chancellor's Clerks

Prime Minister\* (Budget Brief (6))

Chief Secretary (2xFSBR) + Budget Brief

Financial Secretary (2xFSBR) + Budget Brief

Paymaster General (2xFSBR) + Budget Brief

Economic Secretary (2xFSBR) + Budget Brief

Officials, etc. (See Annex for list)

(NB. Sir T Burns, and Mr C W Kelly receive 2 copies each of the FSBR, Sir P Middleton and Mr Cropper receive 3 copies each of FSBR)

Speaker (via Mr Dyer)

Chief Whip (via Mr Dyer)

1 Set of above to Northern Ireland Office.

BP to provide extra messenger to report to AD by 2.15 pm

BD

AD to seek authorisation from AA to issue packages to other Ministers and Officials.

AA/AD

\* No.10 receive 6 copies of the FSBR and Budget Brief and 10 sets of Press Notices.

(98) BY 12.30 p.m.: SECRET envelopes containing Speech, Resolutions, CST Summary & Guide, Snapshot, EPR Supplement, FSBR, Press Notices + other Command Papers to be given to messengers from:-

- Customs & Excise (6 copies of each) - including 1 to Isle of Man
- Inland Revenue (6 copies of each)
- Bank of England (6 copies of each plus 6 copies of press notices)

(AD phones PS/IR, PS/C&E & Bank to arrange that these messengers come to the Chancellor's Registry.)

AD

(99) At 12.30 p.m.: 14 copies of Speech, Snapshot, FSBR, Command Papers and Press Notices to be issued to HB for allocation to members of IDT

HB

(Copies of Brief will be send direct to RA by EB for monitoring teams.)

LH

(100) At 12.30 p.m. Committee Section to pack for IDT:

RR/PE

- 553 copies of Speech (supplied by CRU)
- 523 copies of FSBR
- 523 copies of other Depts'. Budget Press Notices
- 583 copies of Snapshot
- 659 copies of Tsy Press Notices (103 copies for Treasury Mailing list)
- 503 Cmnd Papers (CST Summary and Guide)

in pre-addressed envelopes (provided by PE) for Press and other callers to collect

(101) 1 set each of Speech, Snapshot, FSBR, Resolutions, Command Papers and Press Notices to be given to AA, JT, AH and MW, and of speech only to TL.

AD

(102) 1 set each of Speech, FSBR, CST Summary & Guide, and Command Papers in sealed envelopes addressed to:

AH/AD/RS

Leader of the House of Commons: (Mr Wakeham)

Leader of the House of Lords: (Lord Belstead)

Leader of the Opposition (Rt. Hon. N Kinnock MP)

Shadow Chancellor (Rt. Hon. J Smith MP)

Chancellor's PPS (Mr N Forman MP)

Rt Hon D Steel MP

Rt Hon R MacLennan MP

Rt Hon J Molyneaux MP

) Speech  
) Only

Mr Christopher (IRSF) - plus Press Notices + Snapshot (not Command Papers)

Sir William Clark MP (Chairman of Conservative Finance Committee)

Mr Sheldon MP, Chairman PAC

Rt. Hon. T Higgins MP, Chairman TCSC (+ CST Summary & Guide)

The Hon. M Lennox Boyd MP (Treasury Whip)  
Mr T Garel-Jones MP (1 copy of speech only) for HM the Queen

to be given to AH to take with him to Mr Forman's room, for member of Parliamentary Section to guard over and for Mr Forman and other PPS's to pick up directly after speech and give to those concerned.

(ii) **Copy of Chancellor's speaking copy to AA to give to Mr N Forman just before speech.** AD/AA

(103) Take Gladstone Box to Chancellor. Make up package consisting of speaking copy of Speech, and copies of FSBR, Resolutions, Snapshot, Command Papers and Press Notices for Chancellor. Ensure he has a copy of the Budget Brief. AA/AD

Budget Day: After lunch

(104) Envelope copies of Speeches and FSBR for distribution to members of the Cabinet (other than PM, Chief Secretary LPS + LPC) to be despatched after the Chancellor has sat down. AD/Chancellor's Office

(105) At 2.30 pm: Volunteers collect packages from Chancellor's office for page by page release (see item 90).

(106) TL to take copy of speech to official reporters, to be handed over page by page when Chancellor delivers speech. TL to remain in Hansard Office until Ch/Ex sits down. TL

(107) Chancellor + Mrs Lawson photocall outside No.11 before going to House. MG

(108) At 3pm, Peter Edwards and Janiss Daly assisted by four messengers and a Security Officer, take 30 copies of the speech in sections (provided by the Chancellor's Office), 105 copies of the complete speech and 130 copies of the Snapshot and 70 each of FSBR, Cmnd papers, and related Press Notices to Miss Stella Thomas in the Press Gallery. They will also have a separate package of 10 copies of the Speech and 10 copies of the Snapshot for the Overseas Press. (Turn up in Committee Section (75/G), to collect papers at 2.45 pm). Security Guard to remain with Janiss Daly. RR/PE

(109) Ensure all officials covering the Official Box have copies of the brief. LH

IDT to collect packages (see item 100) from Committee Section PE

(110) During the Budget Speech: The sections will be released to the Press Gallery, TV, radio and IDT monitoring teams by the following drill: IDT

(a) In the Press Gallery, a member of IDT will authorise the release of the 30 sectioned copies of the Speech. JF

(b) In the 7 broadcasting studios and Newsrooms (ITN, BBC-TV, BBC radio, PA Newsroom IRN, FT, Reuters Newsroom, AP Dow Jones, Oracle and Ceefax) the page-by-page unstapled copy of the Speech and the sectioned copies of the Speech will be released when the Treasury official hears (from the Radio 4 live speech broadcast) that the page/section has been completed.



(c) There will be monitoring of BBC and ITN Broadcasts in IDT by officials and Press Officers.

- (111) Delivery of Snapshot, Treasury Press Notices, EPR Supplement, and other Departments' Press Notices to Vote and Printed Paper Offices RS
- (112) Laying of FSBR, Chief Secretary's, Summary & Guide, and Main Estimates. 1988-89. RS
- (113) During Speech: Note changes from typed version. AH

**At end of Speech**

- (114) Set to go to Leader or Deputy Leader of the House of Lords (see Item 102). AH
- (115) TB to phone KS in Scotland to authorise release of documents. TB
- (116) Despatch by hand copies of Speech to other members of Cabinet (see Item 104). AD
- (117) Release copies of Speech and FSBR for Cabinet Ministers, (see item 104), Press (see item 108) and NICG envelopes (see item 18) for NEDO, CBI (via Mr Monck), TUC, and Conservative Research Department to Messengers to take to Enquiry Room; also release copies for Australian and New Zealand High Commissions etc. as at Item 18(b) to IF2 Division. TL/TD
- (118) Check Hansard. AH
- (119) Check whether Debate is likely to continue beyond 7.00 pm if so, confirm duty Minister's extensions for bench, taking into account Minister's media engagements (in consultation with RA) MW/RA
- (120) Send copies as follows:- TL

	<u>CST Summary Guide</u>	<u>Speech and Brief</u>	<u>Snapshot Resolution, Press Notices</u>	<u>FSBR</u>	<u>Cmd Papers</u>	<u>EPR Supplement</u>
Mr F Cassell British Embassy Washington	3	1	3	3	3	3
Mr D Bostock UKREP Brussels	3	1	3	4	4	3

Send 1 copy of each of above papers to:  
Director of British Information Services, NY

Mr M C S Weston, British Embassy, Paris. BY 6.00 p.m. Bag  
Mr E T Davies, UK Delegation, OECD, 19 Rue de Franqueville,  
75775, Paris, Cedex, France (1 copy of brief only).

- (121) Give 8 copies of Speech, Snapshot, FSBR, CST Summary & Guide, Government Papers, EPR Supplement, and any Press Notices to RS AD/RS

for depositing in the Libraries of the House of Commons and House of Lords.

AD to give 2 copies of Resolutions to RS for Butterworths Law Publishers.

AD/RS

(122) Provide two sets of Speech, Snapshot, FSBR, Resolutions, Command Paper(s), all Press Notices to Table Office.

BD

(123) Provide 4 8" (eight inch) discs containing Chancellor's statement (1) FT, (2) Press Association.

RM

CHANCELLOR'S OFFICE



RECIPIENTS	UNSTAPLED SPEECH	WHOLE SPEECH	SECTIONED SPEECH	SNAPSHOT	RESOLUTIONS	FSBR	CST SUMMARY + GUIDE	HMT PRESS NOTICES	OTHER DEPT PRESS NOTICES	EPR SUPPLEMENT	BUDGET BRIEF
CUSTOMS & EXCISE (6)	—	6	—	6	6	6	6	6	6	6	—
INLAND REVENUE (6)	—	6	—	6	6	6	6	6	6	6	—
BANK OF ENGLAND (6)	—	6	—	6	6	6	6	6	6	6	1
IDT (PRESS + CALLERS)	—	553	—	583	—	523	503	659	523	609	—
RT HON T HIGGINS MP	—	1	—	—	—	1	1	—	—	—	—
CX, AA, JT, AH, + MW (5)	—	5	—	5	5	5	5	5	5	5	5
LEADER. HOUSE OF COMMONS	—	1	—	—	—	1	1	—	—	—	—
LEADER. HOUSE OF LORDS	—	1	—	—	—	1	1	—	—	—	—
LEADER OF THE OPPOSITION	—	1	—	—	—	1	1	—	—	—	—
SHADOW CHANCELLOR	—	1	—	—	—	1	1	—	—	—	—
MR N FORMAN MP	—	1	—	—	—	1	1	—	—	—	—
MR CHRISTOPHER (IRSF)	—	1	—	1	—	1	1	1	1	—	—
SIR W CLARK MP	—	1	—	—	—	1	1	—	—	—	—
MR R SHELDON MP	—	1	—	—	—	1	1	—	—	—	—
THE HON M LENNOX BOYD MP	—	1	—	—	—	1	1	—	—	—	—
MR T GAREL-JONES MP	—	1	—	—	—	—	—	—	—	—	—
CABINET (EXCL PM, CX, CST, LPC LPS)	—	17	—	—	—	17	—	—	—	—	—
HANSARD	—	1	—	—	—	—	—	—	—	—	—
VOTE & PRINTED PAPER OFFICE	—	—	—	1150	—	—	—	1150	1150	1150	—
TABLE OFFICE	—	2	—	2	2	2	2	2	2	2	—
MR CASSELL (WASHINGTON)	—	1	—	3	3	3	3	3	3	3	1
MR BOSTOCK (BRUSSELS)	—	1	—	3	3	4	3	3	3	3	1
DIRECTOR BIS (NEW YORK)	—	1	—	1	1	1	1	1	1	1	1
BRITISH EMBASSY (PARIS)	—	1	—	1	1	1	1	1	1	1	1
UKDEL. OECD	—	1	—	1	1	1	1	1	1	1	1
H/C LIBRARY	—	4	—	4	—	4	4	4	4	4	—
H/L LIBRARY	—	4	—	4	—	4	4	4	4	4	—
BUTTERWORTHS	—	—	—	—	2	—	—	—	—	—	—

RECIPIENTS	UNSTAPLED SPEECH	WHOLE SPEECH	SECTIONED SPEECH	SNAPSHOT	RESOLUTIONS	FSBR	CST SUMMARY + GUIDE	HMT PRESS NOTICES	OTHER DEPT PRESS NOTICES	EPR SUPPLEMENT	BUDGET BRIEF
RT HON D STEEL MP	—	1	—	—	—	—	—	—	—	—	—
RT HON R MACLENNAN MP	—	1	—	—	—	—	—	—	—	—	—
RT HON J MOLYNEAUX MP	—	1	—	—	—	—	—	—	—	—	—
HMT LIBRARY	1	11	1	2	2	—	—	1	1	2	2
PS/SPEAKER (VIA BOYER)	—	1	—	—	—	—	—	—	—	—	—
FP DIVISION		10		10	3	16	3	3	3	10	
EB DIVISION		4		3		4	2	3	2	3	170
K NIGHT RIDDER	1	1	1	1		1	1	1	1	1	
TOTAL	14	745	76	1917	89	736	659	1958	1821	1911	194

# REQUIREMENTS: FROM SOURCE

REQUIRED BY	UNSTAPLED SPEECH	WHOLE SPEECH	SECTIONED SPEECH	SNAPSHOT	RESOLUTIONS	F5BR	CST SUMMARY + GUIDE	HMT PREGS NOTICES	OTHER DEPT PRESS NOTICES	EPR SUPPLEMENT	BUDGET BRIEF
CHANCELLORS OFFICE	14	166	75	169	89	187	155	152	152	147	21
IDT	—	553	—	583	—	523	503	659	523	609	—
PARLIAMENTARY SECTION	—	1	—	1150	—	6	6	1150	1150	1150	1
FP	—	10	—	10	3	16	3	3	3	10	—
EB	—	4	—	3	—	4	2	3	2	3	170
HMT LIBRARY	1	11	1	2	2	—	—	1	1	2	2
TOTAL	15	745	76	1917	94	736	669	1968	1831	1921	194
SUPPLIED BY:											
CHANCELLORS OFFICE	15	166	76	169							
HMSO (FP ORDER)						736					
HMSO (GEP ORDER)							669				
PARLIAMENTARY COUNSEL					94						
HMT COMMITTEE SECTION		579		1748				1968	1831		170
EB MACAULAY PRESS										1921	24
TOTAL	15	745	76	1917	94	736	669	1968	1831	1921	194

+ Sir P Middleton 3xFSBR Sir T Burns 2xFSBR Mr J Anson  
 Sir G Littler Sir T Burns Dame Anne Mueller Mr Scholar  
 Mr Lankester Mr I Byatt Mr Monck Sir A Wilson  
 Mr Kemp Mr Culpin Miss Peirson Mr R I G Allen  
 Mr Pickford Mr C Kelly 2xFSBR Miss C Evans  
 Mr Cropper 3xFSBR Mr Tyrie Mr Call Mr Odling-Smee

## RESPONSIBILITIES FOR DISTRIBUTION: CHANCELLOR'S OFFICE

RECIPIENT	PACK A	PACK B	PACK C	OTHER	TIME TO BE DELIVERED
SCOTLAND		✓(6)			- TO K GEDGWICK BY 11.00AM  - BY 12.30PM (AA TO AUTHORISE RELEASE)  - BY 12.30PM (VIA BRIAN DYER)
PRIME MINISTER (+NO.10)	✓(6)			6x BUDGET BRIEF, 4x HMPPN'S + OGDPN'S	
CX. AA, JT, AH, MW	✓(5)			5x BUDGET BRIEF	
HMT MINISTERS	✓(4)			2x FSBR EACH, 4x BUDGET BRIEF	
HMT OFFICIALS +	✓(22)				
N. IRELAND OFFICE	✓				
MR A BATTIGHILL I/R	✓				
MR B UNWIN C&E	✓				
INLAND REVENUE	✓(6)				
CUSTOMS & EXCISE	✓(6)				
BANK OF ENGLAND	✓(6)			1x BUDGET BRIEF	
SPEAKER	✓				- BY 12.30PM (VIA BRIAN DYER)  - TO BE COLLECTED FROM THE CHANCELLOR'S OFFICE AT 2.30PM FOR PAGE BY PAGE DISTRIBUTION AS CHANCELLOR SPEAKS <u>PACK B'S TO BE HANDED OVER AT END OF SPEECH</u>
CHIEF WHIP	✓				
BRIAN DYER (FOR PS/SPEAKER)				1x SPEECH	
PRESS GALLERY				30x SECTIONED SPEECH, 30x SNAPSHOT	
PA GALLERY				1x UNSTAPLED	
ITN				16x SECTIONED SPEECH, 2x UNSTAPLED	
(SUE TINSON ITN BUDGET PROGRAMME)		✓			
(ECONOMICS EDITOR CHANNEL 4)		✓			
BBC TV				11x SECTIONED SPEECH 2x UNSTAPED	
(PRODUCER BBC BUDGET PROGRAMME)		✓			
(JAMES LONG BBC ECONOMICS EDITOR)		✓			
BBC RADIO				11x SECTIONED SPEECH 1x UNSTAPLED	
(BBC ECONOMICS CORRESPONDENT)		✓			





RECIPIENT	PACK A	PACK B	PACK C	OTHER	TIME TO BE DELIVERED
TABLE OFFICE	√(2)				- TO RICHARD SAVAGE <u>BY 3.00PM</u>
H/C LIBRARY		√(4)			
H/L LIBRARY		√(4)			- VIA <u>TONY LYONS BY 3.15PM</u> FOR PAGE BY PAGE DISTRIBUTION
BUTTERNORTHS				2 x RESOLUTIONS	
HANSARD				1 x SPEECH	- TO BE COLLECTED <u>FROM ENQUIRY ROOM AFTER SPEECH</u>
NEDO		√(3)			
TUC		√(3)			- <u>IN ADVANCE OF SPEECH VIA MR MONCK   MR NYNN OWEN</u>
CBI		√(4)		+ 1 RESOLUTION	
NICG		✓			- TO BE COLLECTED <u>FROM ENQUIRY ROOM AFTER SPEECH</u>
CONSERVATIVE RESEARCH DEPT		✓			
(CABINET MEMBERS				17 x SPEECH, 17 x FGBR	- TO BE DISPATCHED <u>WHEN CHANCELLOR SITS DOWN</u>
EXCL PM. CX. CST. LPC. LPS)					
MR F CASSELL (WASHINGTON)	√(3)			ONLY 1 x SPEECH, 1 x BUDGET BRIEF	- BY DIPLOMATIC BAG
MR D BOSTOCK (BRUSSELS)	√(3)			4 x FGBR, 1 x BUDGET BRIEF	
DIRECTOR BIS (NEW YORK)	✓			1 x BUDGET BRIEF	
BRITISH EMBASSY (PARIS)	✓			1 x BUDGET BRIEF	
UKDEL, OECD	✓			1 x BUDGET BRIEF	
TCSC		√(5)			- IF 2 COLLECT PACKAGES FROM THE CHANCELLOR'S OFFICE AT 3.30PM. IF DELIVER TO ENQUIRY ROOM FOR COLLECTION WHEN CHANCELLOR SITS DOWN
AMERICAN EMBASSY		✓			
AUSTRALIAN H.C.		✓			
BELGIAN EMBASSY		✓			
CANADIAN EMBASSY		✓			
DANISH EMBASSY		✓			
FRENCH EMBASSY		✓			
W. GERMAN EMBASSY		✓			
GREEK EMBASSY		✓			
IRISH EMBASSY		✓			
ITALIAN EMBASSY		✓			
EMBASSY OF JAPAN		✓			

RECIPIENT	PACK A	PACK B	PACK C	OTHER								
EMBASSY OF LUXEMBOURG		✓										
NETHERLANDS EMBASSY		✓										
NEW ZEALAND H.C.		✓										
NORWEGIAN EMBASSY		✓										
PORTUGEGE EMBASSY		✓										
SPANISH EMBASSY		✓										
SWEDISH EMBASSY		✓										
SWISS EMBASSY		✓										
TURKIGH EMBASSY		✓										

TIME TO BE DELIYERED

IF 2 @ COLLECT PACKAGES FROM THE  
 CHANCELLORS OFFICE AT 3.30PM.  
 IF DELIVER TO ENQUIRY ROOM  
 FOR COLLECTION WHEN THE CHACELLOR  
 SITS DOWN

# RESPONSIBILITIES FOR DISTRIBUTION : IDT

RECIPIENT	WHOLE SPEECH	SNAPSHOT	FSBR	C&T SUMMARY GUIDE	HMT PRESS NOTICES	OTHER DEPT PRESS NOTICES	EPR SUPPLEMENT					
PRESS GALLERY	105	130	70	70	70	70	70					
OVERSEAS REPS	10	10	—	—	—	—	—					
FLEET ST PRESS	165	165	165	165	165	165	165					
NON-PRESS	220	220	220	220	220	220	220					
DEPT'S PRESS OFFICES	18	18	18	18	18	18	18					
HMT MAIL LIST	—	—	—	—	116	—	116					
(IDT, SPARES, INCL ENQUIRY ROOM)	15	20	30	10	50	30	—					
FFTG	20	20	20	20	20	20	20					
TOTAL	553	583	523	503	659	523	609					

# RESPONSIBILITIES FOR DISTRIBUTION: PARLIAMENTARY SECTION

RECIPIENT												
PS/SPEAKER SPEAKER CHIEF WHIP	1 x SPEECH PACK A PACK A											
JOURNAL OFFICE	6 x FSBR 6 x CST SUMMARY+GUIDE											
TABLE OFFICE	2 x PACK A											
VOTE+PRINTED PAPER OFFICE	1150 x SNAPSHOT 1150 x HMT PN'S 1150 x OGDPN'S 1150 x EPR SUPPLEMENT											
BUTTERWORTHS	2 x RESOLUTIONS											
H/C LIBRARY H/L LIBRARY	4 x PACK B 4 x PACK B											

TO BE GIVEN TO BD BY CHANCELLORS OFFICE

- FROM FP  
- FROM GEP (C KNIGHT)

FROM CHANCELLORS OFFICE

FROM COMMITTEE SECTION

FROM CHANCELLORS OFFICE

FROM CHANCELLORS OFFICE





FROM: A A DIGHT

DATE: ~~8~~ February 1988

19

MR A C S ALLAN  
 MR TAYLOR  
 MISS WALLACE  
 MR HUDSON  
 MRS THORPE  
 MR TAYLOR  
 MR LYONS  
 MISS MURPHY  
 MRS SPRAGG  
 MISS RUTTER  
 MS EVEREST PHILLIPS  
 MR HEYWOOD  
 MISS FEEST  
 MR BARNES  
 MR WESTHEAD  
 MR JUDGE  
 MRS CHADWICK  
 MR SARGENT  
 MR MONCK  
 MR LANKESTER  
 MR CULPIN  
 MR TURNBULL  
 MR ODLING-SMEE  
 MISS C EVANS  
 MRS BURNHAMS  
 MR MICHIE  
 MR K SEDGWICK  
 MR PICKFORD  
 MISS SIMPSON  
 MS L HOOSON  
 MR R I G ALLEN  
 MR BUSH

*MRS R. Modos*

MR GUNTON  
 MR FLITTON  
 MR R EVANS  
 MISS E EDWARDS  
 MR P EDWARDS  
 MR DYER  
 MR R SAVAGE  
 MR T DAVIES  
 MR D SAVAGE  
 MR C KNIGHT  
 MR PORTEOUS  
 MR RAWLINGS  
 MR M RALPH  
 MISS TITMUS  
 MR CROPPER  
 MR TYRIE  
 MR CALL  
 MR N FORMAN MP H/C  
 PS/INLAND REVENUE  
 PS/CUSTOMS AND EXCISE

*h →*

*MR G Haydon*  
*MS F Bogan*  
*MR Housmann*  
*MRS J Daly*  
*MR N Fraut*  
*Miss M Finnegan*  
*Miss K Russell*  
*MRS P Wilkins*  
*Miss S Wallis*

*MRS A Nicholls*

### 1988 BUDGET AIDE MEMOIRE

... I attach this year's Aide Memoire. Many thanks to those who contributed to it.

A A DIGHT

## 1988 BUDGET AIDE MEMOIRE

AA	Alex Allan	(4330)
JT	Jonathan Taylor	(4519)
MW	Moira Wallace	(5004)
AH	Andrew Hudson	(5021)
JTH	Julie Thorpe	(5011)
AD	Anthony Dight	(5012)
PT	Paul Taylor	(5014)
TL	Tony Lyons	(5013)
SM	Sarah Murphy	(5015)
PS	Pat Spragg	(5167)
RM	Rosa Modos	(5166)
RC	Robert Culpin	(4419)
CE	Carys Evans	(5170)
TB	Teresa Burnhams	(5179)
KS	Kevin Sedgwick	(5169)
SP	Steven Pickford	(4549)
JS	Judith Simpson	(5211)
LH	Lourie Hooson	(5208)
RA	Richard Allen	(4420)
HB	Harry Bush	(5252)
MG	Michael Gunton	(5187)
JF	John Flitton	(5188)
RE	Richard Evans	(5245)
EE	Eleanor Edwards	(5251)
PE	Peter Edwards	(5248)
BP	Brian Porteous	(4830)
RR	Rod Rawlings	(4889)
DS	David Savage	(5546)
PC	Peter Cropper	(4359)
CT	Chris Titmuss	(4840)
BD	Brian Dyer	(4520)
RS	Richard Savage	(5006)
TJD	Tony Davies	(5163)

ACTIONPreparation in weeks before the Budget

- (1) Arrange audience of The Queen with her Private Secretary  
Clear date of Budget with No.10 (checking that there are no State  
Visits, Archbishop's enthronements etc). JTH/MW  
TB/AA
- (2) Check with Speaker on allocation of guest seats available. JTH/MW
- (3) Consult Chancellor on distribution of seats. Make arrangements  
for collection of tickets for Speaker's Gallery and under the  
Gallery. Inform other guests of arrangements for collecting the  
tickets for Distinguished Stranger's Gallery and Speaker's Gallery  
(East). JTH/MW
- (4) Arrange for sufficient 1075 machines, stocks of paper and a  
mechanic on call to be available from Saturday before Budget Day. AD/RR
- (5) Arrange for TV Broadcast, in conjunction with Chief Whip's Office.  
Discuss arrangements for TV Broadcast with the BBC. RA/JF
- (6) Arrange for members of Chancellor's Registry and volunteers from  
other Private Offices' clerks, if required, to be available to collate  
papers on weekend of 12/13 March and on Budget Day. (For IDT as  
well). AD  
Check with EOG (David Lodge) for overnight accomodation to be  
provided.
- (7) Submit publicity arrangements to Chancellor. RA
- (8) Make arrangements for providing Press Gallery (P.A.), P.A.  
Newsroom, Reuters, ~~AP, Dow Jones~~, BBC, ITN, IRN, Oracle,  
Ceefax and Financial Times with Speech section by section (see  
item 92). AD/JF  
6
- (9) Arrangements for laying of White Papers, etc. BD
- (10) Circulate roster of Ministers covering Treasury Bench and officials  
covering official box (or available on the 'phone) for Budget  
Statement, remainder of Budget Day and three days of subsequent  
Debate. (Note that Ministers are required for T.V. Broadcasts.) MW

16 Sitting Days before Budget Day

- (11) Contact Mr Forman to confirm that a Member will sleep overnight  
in the Conference Room adjacent to the Public Bill Office (Whips  
Office provide a put-u-up) so that notice of a Ten Minute Rule Bill  
can be handed in immediately the Public Bill Office opens (circa  
10.00am) the following morning Tuesday, 23 February. BD/Nigel Forman

Two weeks before Budget Day

- (12) Seek Chancellor's wishes as to speakers in Debate; inform them and  
the Whips. Take into account Ministers' TV and Radio  
engagements. AA/RA



- (13) MG to organise arrangements for Budget Box photograph. Budget box to be collected from Office Services. MG
- (14) Draft of T.V. Broadcast to be produced and circulated for comment. MG/PE/AH
- (15) TB co-ordinate along with PE, BD and MW, letter to Departments and Departments' Chief Press Officers (PE to provide names of Chief Press Officers) "about detailed arrangements for production of Press Notices and clearance of post Budget Statements" including number required (see Annexes). TB send similar note to Treasury Divisions and Revenue Departments. Letter to give deadline for arrival of PN's (midday Friday 11 March). EB to get advance copies of PN's. (TB to confirm number of PNs expected per Department). SP/TB/PE/MW/BD

**(Inland Revenue PN's to arrive no later than 10.00am on Sunday 13 March)**

- (16) Prepare addressed envelopes or labels for those listed below under Items 18,90,97,98,102,104,120,121,122. Chancellor's Office

**Week before Budget**

- (17) Budget Box photograph at HMT. (Get a firm date). MG
- (18) Make arrangements for those entitled to collect copies of Speech, Snapshot, FSBR, Resolution, CST Summary & Guide, EPR Supplement, Press Notices and other Command papers from Enquiry Room after the Chancellor has sat down\* viz: AD

\* (ensuring that the Press are kept separate from Diplomats, CBI etc).

- |     |                       |                                    |
|-----|-----------------------|------------------------------------|
| (a) | NEDO (211 3000)       | )Each to have 3 (CBI to receive 4) |
|     | CBI (379 7400)        | )copies of Speech,                 |
|     | TUC (636 4030)        | )Snapshot, FSBR, Command Papers    |
|     | NICG (235 2020)       | and                                |
|     | Conservative Research | )any Press Notices + 1 Resolution  |
|     | Dept (222 9000)       | for CBI                            |

NB. CBI package to be given to Mr Monck along with his own advance package (Mr Wynn Owen to assist in liasing with CBI for collection of package).

- (b) TL to arrange with IF2 Division (DS) to collect for issue after Budget Speech sets of 1 copy of each of the above documents to Australian and New Zealand High Commissions, EEC Diplomatic Missions, US Embassy, Canadian High Commission and Japanese Embassy (22 sets in all). Check with IDT/IF2 whether any other Embassies have requested Budget Docs, and alter no's required accordingly. IF2 prepare envelopes. TL/DS

- (c) RR to arrange shuttle flight for ~~messenger~~ **K SEDGWICK** to take package(s) to Scotland. RR

(19) TB confirm with Parliamentary Counsel's Office, IR, C&E, Treasury Divisions and other Departments for correct number of copies of Resolutions, Command Papers and any Press Notices to be delivered to AD and RR in CRU as appropriate (see Annex) by midday on Friday 11 March at the latest. TB to arrange for correct number of copies of FSBR to be delivered by ~~10.00~~ <sup>9</sup> a.m. on Tuesday 15 March. TB

(20) Check with FP/GE & MW precisely which documents will be in Budget package (eg. any Command Papers), and let RR know. AD/RR

(21) AD to check despatch arrangements with Foreign Office (May Gibson 210-6128) for guidance telegram to overseas posts on Budget Day. AD

(22) All offices to inform RR of requirements for messengers, security guards and vans. RR to send reminder to offices asking them of their requirements. RR

(23) BD to write to Vote and Printed Paper office concerning embargoes to be observed on the FSBR and related documents. BD

Tuesday 8 March

(24) (A) First draft and structure of Backbenchers' Brief cleared with officials, including EB and FP. PC/EB/FP  
EE/PE

(B) Draft EPR Supplement to Chancellor

Wednesday 9 March

(c) Draft notes → for Queen & overseas posts to Chancellor

(25) EB to provide draft of key briefs to Treasury Minister's Offices. (2 copies for Chancellor's Office, 2 copies for other Ministers). EB

(26) FP to clear with the Chancellor the number and subject of expected press notices and the order in which they are to be collated. FP

Thursday 10 March

(27) Inform IDT of likely length of Speech. AA/RA

(28) Contact Cannon Row Police Station to ensure crowds are allowed to congregate behind barrier opposite No.11 for benefit of photographers when he leaves for the House. (Clear with No.10 security co-ordinator) JF

(29) EPR Supplement to printer EE/PE

(30) EB to receive Chancellor's comments on drafts of key briefs. Meeting if necessary. AA/EB

(31) Draft of Backbenchers' Brief to Chancellor. PC

(32) FSBR book proofs for chapters 4,5, and 6 to Chancellor. CE

Friday 11 March

(33) FSBR book proofs for chapters 1,2, and 3 to Chancellor. CE

(34) Work as necessary to produce final version of speech. AA

- (35) Send copy of latest draft of Speech to PM if Chancellor wishes. AA
- (36) RE to submit draft Snapshot to Chancellor's Office having cleared with FP and EB (to be shown to Chancellor). CE/EB/RE
- (37) Finalise arrangements with BBC for TV Broadcast. JF
- (38) Final version of summary for The Queen and overseas posts submitted to Chancellor. RC
- (39) EPR proof to Chancellor RA
- (40) Submit final draft of TV broadcast if available. Chancellor's Budget Broadcast meeting. (If necessary). AH
- (41) Check with AA whether any other Ministers or officials are to receive advance copies of Budget documents other than those at Annex. AD/AA
- (42) Check arrangements for despatch of overseas copies of speech etc. with the FCO. (see item 12~~2~~<sup>7</sup>). AD
- (43) Chancellor's comments on backbenchers' Brief to Special Advisers. AA/PC
- (44) Check catering and sleeping arrangements for Chancellor's office for 11 and 14 March. AD/RR
- (45) JTH to check with BD to ascertain timing of main speakers in Budget Debate, and leave time free in the Chancellor's diary so that he may (if he wishes) listen to the main speakers. JTH/BD
- (46) JTH to co-ordinate Chancellor's meeting with the Backbench Finance Committee JTH
- (47) Check arrival of press notices against numbers expected (see Annex). Issue required numbers to AD and Committee Section in accordance with list in Annex. Comm Section/AD

SATURDAY-MONDAY

Saturday 12 March/Sunday 13 March

- (48) Collation of Press Notices by Committee Section and volunteers (NB 1150 collated sets of the Budget Snapshot, the EPR Supplement and related Treasury and other Departmental PNs are required by Parliamentary Section). BP/RR
- (49) Chancellor comments on FSBR book proofs. Proofs returned to printer by NOON. CE
- (50) Chancellor: photo-call. MG
- (51) Type Snapshot on A4 paper. IDT/EB

- (52) EPR proof to printer (with Chancellor's comments), by Noon. EE/PE
- (53) Press Officers in office on Sunday morning to read available Budget material. Press Officers
- (54) Mr Cropper has Backbenchers' Brief checked for factual accuracy by EB. PC/EB
- (55) Send speaking copy and spare to Chancellor. AD

**Monday 14 March**

- (56) 8.00 a.m. CE sign off final FSBR proof. CE  
IDT sign off EPR proof EE
- (57) Collect Budget Box from IDT. AD/PE
- (58) See item ~~81~~<sup>79</sup> - phone C&E, IR, B of E. TL
- (59) MW to confirm with Tony Davies that he will be available in Speakers Yard to greet Chancellor and Mrs Lawson and show latter to her seat, and to thereafter go to Chancellor's PPS's room to guard over copies (see item 10~~4~~<sup>2</sup>) while Budget Speech is in progress. TJD/MW
- (60) Chancellor's Office to receive from EB 2 copies of near-final draft of Brief during course of day. LH
- (61) Mr Evans gives Chancellor's Office 2 copies of near-final draft of Snapshot during course of day. RE
- (62) Confirm likely length of speech with IDT to guide radio/TV. AA/RA
- (63) By 12.00 noon: Receive FINAL comments on speech. Start amending speech as necessary. AA/PS
- (64) Check any corrections section by section. Chancellor's Office
- (65) Evening - either obtain confirmation from Chancellor that Speech can be regarded as final or amend speaking copy in accordance with his instructions. Text must be finalised. AA/PS
- (66) Final check of Backbenchers' Brief by EB. PC/EB
- (67) Produce index for speech. Chancellor's Office
- (68) Chancellor due at Buckingham Palace, ~~6.00 p.m.~~<sup>TIME</sup> (to be confirmed.) JTH
- (69) Chancellor's Office receive Snapshot from RE for checking. RE
- (70) Check that CST Summary and Guide, Resolutions and EPR Supplement have arrived in Chancellor's Office. ~~(C Knight)~~ AD
- (71) Advisers re-submit Backbenchers' Brief to Chancellor for final approval. PC/AA
- (72) Final check of Snapshot before collating. RE/SP

- (73) CRU roll off 170 copies of Budget Brief. CT
- (74) Photocopy 3<sup>16</sup> copies of final text ~~section by section~~ for Chancellor's Office
- Chancellor
  - Prime Minister
  - Other Treasury Ministers (4) See Annex
  - Officials and Advisers (20) <sup>2</sup>
  - Private Secretaries (6, including AH)
  - 2 copies for CH/EX's office
- (75) CX's office rolls off <sup>140</sup> 99 copies of speaking copy, <sup>80</sup> 75 copies section by section and <sup>8</sup> 13 unstapled sets. CRU rolls off <sup>50</sup> 1700 copies of snapshot. Chancellor's Office/CRU
- (76) As soon as possible Mr Cropper lets Miss Titmuss have the master copy of the Backbenchers Budget Brief. Miss Titmuss will run off 400 copies. Mr Cropper will arrange for these to be distributed by the Parliamentary Private Secretaries following the Budget Speech. PC/CT

**BUDGET DAY: 15 March**

- (77) 0845: Chancellor (+ family) photocall in St James' Park MG
- (78) Tabling of Budget Resolutions by Parliamentary Counsel. FP
- (79) As soon as final version of brief is available let PS/IR, PS/C&E and BofE know so that they can send a messenger to collect. (Brief may not be ready until very late). AD
- (80) Order taxis to take AH & TL with speech sections to House at 3.00 pm. TL
- (81) 10.00 am: TB to check that FSBR has arrived. TB
- (82) 10.00 am: JF to supervise BBC team at No.11 for TV Broadcast JF
- (83) 10.30 a.m.: Budget Cabinet (time to be confirmed). JTH
- (84) RE to "mark up" (sideline) final version of speech HB/RE
- (85) EB to double-check headlined version of the speech. EB
- (86) By 11 a.m. the "compact" master <sup>8</sup> copy of Speech is to be given to Miss Titmuss in the CRU for <sup>8</sup> 500 copies to be rolled off for distribution to the Lobby and Press Gallery in House of Commons and to IDT (see Items 90 and 93). From Private Office production of Speech send one copy by hand to SP EB Room 97/2) as soon as possible. Copy to be marked up for PA. When master copy of "marked up" speech is returned to the private office, 13 unstapled copies to be made for BBC TV, BBC Radio, IRN, ITN, Reuters, ~~AP~~ <sup>TELE-RATE</sup> ~~Dow Jones~~ and PA Newsroom, Financial Times Newsroom, Oracle and Ceefax. CT/TL/SP
- (87) By 11.00 am six copies of speech (run off by AD), FSBR, Command Paper(s), Press Notices, EPR to give to KS (as decided at item 19c) to take to Scotland. (See Item 115) <sup>8</sup> AD/KS

(88) By 11.00 am RE to give KS a copy of the Snapshot. KS then takes 5 copies. RE

(89) Inform Leader of House of Lords Office and Mr Christopher (IRSF) that they should collect their packages from PPS's room at the end of the speech. MW

(90) Prepare packages as follows: Chancellor's Office

- (a) Press Gallery (*MRS J Daly* ..... to collect)
- 30 copies of sectioned version of Speech (each section to be marked individually), in separate envelopes each marked with number of section.
  - 1 copy of Snapshot, with each final section (ie 30 snapshots)
- (b) P.A. Gallery (*MR J Flinton* ..... to collect)
- 1 unstapled speech with sidelines and headlines for page by page distribution\*
- (c) ITN, Wells Street (*Ms F Bosgan & MR A Nichols* ..... to collect)
- 16 copies of sectioned version of Speech, in separate envelopes each marked with number of section.
  - 2 unstapled Speech with sidelines and headlines for page-by-page distribution\*
  - 2 envelopes, each containing 1 copy of Speech, Snapshot, CST Summary & Guide, EPR Supplement, FSBR, Command papers and all press notices addressed to:-
    1. Sue Tinson, ITN Budget Programme
    2. Economics Editor, Channel 4.(NB: These envelopes to be handed over at the end of Chancellor's speech)
- (d) BBC, TV White City (*MRS R Chadwick & Miss S Wallis* ..... to collect)
- 11 copies of sectioned version of Speech, in separate envelopes each marked with number of section
  - 2 unstapled Speech with sidelines and headlines for page-by-page distribution\*
  - 2 separate envelopes, containing 1 copy of Speech, Snapshot, CST Summary & Guide, EPR Supplement, FSBR, Command Papers and Press Notices, addressed to:-
    1. Producer, BBC Budget Programme
    2. James Long: BBC Economics Editor.(NB: These envelopes to be handed over at the end of Chancellor's speech).
- (e) BBC Radio, Broadcasting House (*Miss Feast* ..... to collect)
- 11 copies of sectioned version of Speech, in separate envelopes each marked with number of section

- 1 unstapled copy of speech with sidelines and headlines for page-by-page distribution\*
- 2 envelopes each containing a copy of the Speech, Snapshot, CST Summary & Guide, EPR Supplement, FSBR, Command Papers and all press notices addressed to:-
  1. BBC Economics Correspondent
  2. Producer, PM Budget Special
 NB: These envelopes to be handed over at end of Chancellor's speech

*Ms Z Everest-Phillips*

(f) Independent Radio News (~~.....~~ to collect)

- 5 copies of sectioned version of speech, in separate envelopes and marked with number of section
- 1 unstapled speech with sidelines and headlines for page-by-page distribution\*
- 1 envelope enclosing a copy of the Speech, Snapshot, FSBR, CST Summary & Guide, EPR Supplement, Command papers and all press notices, addressed to:-

Mr Douglas Moffit,  
Economic Editor, LBC

NB: This envelope to be handed over at end of Chancellor's speech

*MR A Howmann*

(g) Reuters Newsroom (..... to collect)

- 1 unstapled speech with sidelines and headlines for page by page distribution \*
- 1 envelope containing a copy of the Speech, Snapshot, FSBR, CST Summary & Guide, EPR Supplement, and all Press Notices addressed to Mr David Keefe, Reuters.

NB: This envelope only to be handed over at the end of the Chancellor's speech.

*TELE-RATE MRS P Nulkins*

(h) ~~AP Dow Jones~~ (~~.....~~ to collect)

- 1 unstapled speech with sidelines and headlines for page by page distribution \*
- 1 envelope containing a copy of the Speech, Snapshot, FSBR, CST Summary & Guide, EPR Supplement, and all Press Notices to Mr ~~Gittler~~ *BURKLEY*

NB. This envelope only to be handed over at the end of the Chancellor's Speech.

*Miss K Russell*

(i) P.A. Newsroom (~~.....~~ to collect)

- 1 unstapled speech with sidelines and headlines for page by page distribution. \*

X

*MR G Haydon*

(j) F.T. Newsroom (*h*... to collect)

- 1 unstapled speech with sidelines and headlines for page by page distribution. \*
- 2 envelopes containing a copy of the Speech, Snapshot, FSBR, EPR Supplement, and all Press Notices addressed to:

Mr David Walker  
News Editor, Financial Times

NB: This envelope only to be handed over at the end of the Chancellor's speech.

*MR N FRAY*

(k) Oracle (*h*...to collect)

- 1 copy of sectioned version of speech, in separate envelopes and marked with number of section
- 1 unstapled speech with sidelines and headlines for page by page distribution\*
- 1 envelope enclosing copy of Speech, Snapshot, FSBR, Command Papers, CST Summary & Guide, EPR Supplement, and all Press Notices, addressed to: Mr Peter Hall, Editor, Oracle.

*MISS M FUNNEGAN*

(l) Ceefax (*h*...to collect)

*(M) Night Ridder (MR N Dawson to collect)*

- 1 copy of sectioned version of speech, in separate envelopes and marked with number of each section.
- 1 unstapled speech with sidelines and headlines for page by page distribution\*
- 1 envelope enclosing copy of Speech, Snapshot, FSBR, Command Papers, CST Summary Guide, EPR Supplement, and all Press Notices, addressed to: David Wilson, Manager Teletext.

*Same Documents as (L)* →

*addressed to: Mark Leheney (Night Ridder)*

\* <sup>45</sup> 13 'marked-up' copies of Speech (unstapled) are to be provided by SM by 2.30 p.m.

SM

(91) Check arrival in Chancellor's Office of <sup>89</sup> 65 copies of Resolutions from Parliamentary Counsel's Office, <sup>87</sup> 150 copies of FSBR from HMSO via FP, <sup>85</sup> 136 copies of CST Summary & Guide (from C Night GEP) and 20 Briefs (From EB - first 4 to AA, JT, AH and MW).

AD/TB/LH

(92) Issue <sup>87</sup> 150 copies of FSBR, <sup>55</sup> 136 copies of CST Summary & Guide, <sup>89</sup> 65 copies of Resolutions and 5 (as soon as available) copies of Brief from <sup>LH</sup> SK, to AD for distribution as in Annex. (Other 4 Briefs to AA, JT, AH and MW).

LH/AD



Committee Section pack up documents indicated in parcels addressed as below. (Speeches, etc. should be packed separately in pre-addressed envelopes provided by IDT. Copies of Speech are not provided by Chancellor's Office):-

RR/PE

105 copies of Speech and 130 copies of Snapshot 70 copies each of FSBR, HMT's PN, Other Gov. Dept's PN's, other Cmnd Papers to Home Press, Gallery, House of Commons

10 copies of speech and 10 copies of snapshot in separate envelope to "the Secretary, Press Gallery", marked "for OVERSEAS CORRESPONDENTS".

The above parcels should then be packed for transmission to the House.

- (94) Start collation of full text of Speech with index and checklist. Chancellor's Clerks and Typists
- (95) Before 12.00: MW gives copy of speech to BD who will let Speaker's Private Secretary know roughly how long Speech will last. MW/BD
- (96) Parliamentary Section to be given 6 copies of FSBR by TB for laying before Parliament. TB/BD
- (97) By 12.30 p.m.: Make up and despatch SECRET envelopes containing

1 copy each of Speech, FSBR, Resolutions, Command Papers, CST Summary & Guide, EPR Supplement, Snapshot + Press notices to:-

Chancellor's Clerks

Prime Minister\* (Budget Brief (6))  
Chief Secretary (2xFSBR) + Budget Brief  
Financial Secretary (2xFSBR) + Budget Brief  
Paymaster General (2xFSBR) + Budget Brief  
Economic Secretary (2xFSBR) + Budget Brief  
Officials, etc. (See Annex for list)

BP to provide extra messenger to report to AD by 2.15 pm

(NB. Sir T Burns, and Mr C W Kelly receive 2 copies each of the FSBR, Sir P Middleton and Mr Cropper receive 3 copies each of FSBR)

Speaker (via Mr Dyer)  
Chief Whip (via Mr Dyer)

BD

1 Set of above to Northern Ireland Office.

AD to seek authorisation from AA to issue packages to other Ministers and Officials.

AA/AD

- \* No.10 receive 6 copies of the FSBR and Budget Brief and 10 sets of Press Notices.

- (98) BY 12.30 p.m.: SECRET envelopes containing Speech, Resolutions, CST Summary & Guide, Snapshot, EPR Supplement, FSBR, Press Notices + other Command Papers to be given to messengers from:-
- Customs & Excise (6 copies of each) - including 1 to Isle of Man
  - Inland Revenue (6 copies of each)
  - Bank of England (6 copies of each plus 6 copies of press notices)



Budget Day: After lunch

- (104) Envelope copies of Speeches and FSBR for distribution to members of the Cabinet (other than PM, Chief Secretary LPS + LPC) to be despatched after the Chancellor has sat down. AD/Chancellor's Office
- (105) At 2.30 pm: Volunteers collect packages from Chancellor's office for page by page release (see item 90).
- (106) TL to take copy of speech to official reporters, to be handed over page by page when Chancellor delivers speech. TL to remain in Hansard Office until Ch/Ex sits down. TL
- (107) Chancellor + Mrs Lawson photocall outside No.11 before going to House. MG
- (108) At 3pm, Peter Edwards and Janiss Daly assisted by four messengers and a Security Officer, take 30 copies of the speech in sections (provided by the Chancellor's Office), 105 copies of the complete speech and 130 copies of the Snapshot and 70 each of FSBR, Cmnd papers, and related Press Notices to Miss Stella Thomas in the Press Gallery. They will also have a separate package of 10 copies of the Speech and 10 copies of the Snapshot for the Overseas Press. (Turn up in Committee Section (75/G), to collect papers at 2.45 pm). Security Guard to remain with Janiss Daly. RR/PE
- (109) Ensure all officials covering the Official Box have copies of the brief. LH
- IDT to collect packages (see item 100) from Committee Section PE
- (110) During the Budget Speech: The sections will be released to the Press Gallery, TV, radio and IDT monitoring teams by the following drill: IDT
- (a) In the Press Gallery, a member of IDT will authorise the release of the 30 sectioned copies of the Speech. JF
- (b) In the 7 broadcasting studios and Newsrooms (ITN, BBC-TV, BBC radio, PA Newsroom IRN, FT, Reuters Newsroom, AP Dow Jones, Oracle and Ceefax) the page-by-page unstapled copy of the Speech and the sectioned copies of the Speech will be released when the Treasury official hears (from the Radio 4 live speech broadcast) that the page/section has been completed.
- (c) There will be monitoring of BBC and ITN Broadcasts in IDT by officials and Press Officers.
- (111) Delivery of Snapshot, Treasury Press Notices, EPR Supplement, and other Departments' Press Notices to Vote and Printed Paper Offices RS
- (112) Laying of FSBR, Chief Secretary's, Summary & Guide, and Main Estimates. 1988-89. RS

(113) During Speech: Note changes from typed version. AH

At end of Speech

(114) Set to go to Leader or Deputy Leader of the House of Lords (see Item 102). AH

(115) TB to phone KS in Scotland to authorise release of documents. TB

(116) Despatch by hand copies of Speech to other members of Cabinet (see Item 104). AD

(117) Release copies of Speech and FSBR for Cabinet Ministers, (see item 104), Press (see item 118) and NICG envelopes (see item 18) for NEDO, CBI (via Mr Monck), TUC, and Conservative Research Department to Messengers to take to Enquiry Room; also release copies for Australian and New Zealand High Commissions etc. as at Item 18(b) to IF2 Division. TL/TD

(118) Check Hansard. AH

(119) Check whether Debate is likely to continue beyond 7.00 pm if so, confirm duty Minister's extensions for bench, taking into account Minister's media engagements (in consultation with RA) MW/RA

(120) Send copies as follows:- TL

	<u>CST Summary Guide</u>	<u>Speech and Brief</u>	<u>Snapshot Resolution, Press Notices</u>	<u>FSBR</u>	<u>Cmd Papers</u>	<u>EPR Supplement</u>
Mr F Cassell British Embassy Washington	3	1	3	3	3	3
Mr D Bostock UKREP Brussels	3	1	3	4	4	3

Send 1 copy of each of above papers to:  
Director of British Information Services, NY

Mr M C S Weston, British Embassy, Paris. BY 6.00 p.m. Bag  
Mr E T Davies, UK Delegation, OECD, 19 Rue de Franqueville,  
75775, Paris, Cedex, France (1 copy of brief only).

(121) Give 8 copies of Speech, Snapshot, FSBR, CST Summary & Guide, Government Papers, EPR Supplement, and any Press Notices to RS for depositing in the Libraries of the House of Commons and House of Lords. AD/RS

AD to give 2 copies of Resolutions to RS for Butterworths Law Publishers. AD/RS

(122) Provide two sets of Speech, Snapshot, FSBR, Resolutions, Command Paper(s), all Press Notices to Table Office. BD

(123) Provide 4 8" (eight inch) disks containing Chancellor's Statement (1.) FT, (2) Press Association RM



A handwritten signature, possibly "MVP", enclosed within a hand-drawn circle.

1988 TUC BUDGET SUBMISSION

## 1988 TUC BUDGET SUBMISSION

### Introduction

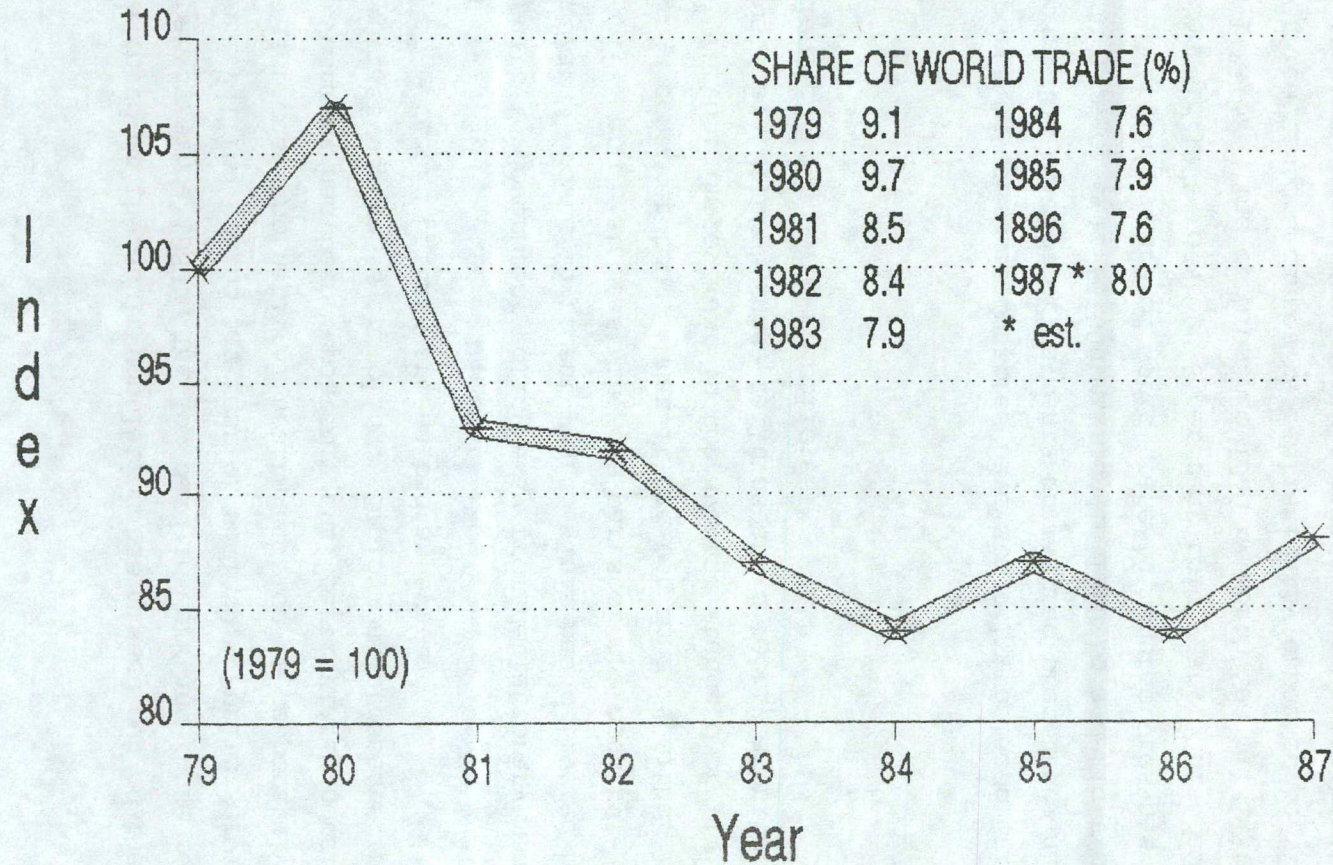
1 Well over a third of the adult population has missed out on the increase in national prosperity since 1983. The low paid in work and those receiving social benefits are falling behind the rest of society. Public services have been starved of resources, the national health service is desperately short of funds. Public investment has been repeatedly cut, particularly housing, and as a result the infrastructure is crumbling. Employment prospects in the inner cities and in Northern Britain are as bad as ever.

2 The major shift in Government policy away from deflationary monetarist policies has stimulated growth in recent years. This has delivered higher wages, higher profits, and - at least in some parts of the country - a growing affluence based on a consumer boom. What it has not done is either lay down a secure future for further improvement in the average standard of living or to deliver social justice. Both of these failures are directly attributable to continuing deficiencies in Government policies.

### Manufacturing

3 Foreign imports of consumer durables have steadily replaced British made goods in the shops. The balance of payments on manufactured trade has declined from a surplus of over £5,000 million in 1980 to a deficit of £7,500 million in 1987. Britain's share of world trade in manufactures has fallen, from over 9 per cent in 1979 to about 8 per cent this year. This decline is shown in Diagram 1 below. The cushion provided by North Sea oil is running out, while the service sectors cannot be realistically expected to fill the gap. The steady erosion of an irreplaceable part of the wealth creating base will put at risk future national prosperity. The TUC believes that a fundamental reassessment of the Government's long term industrial strategy is required. But action can be taken now, particularly on helping exporters and giving industry more incentives to invest. In this Submission the TUC is calling for a full restructuring of export aid provision, and for a new tax framework for industry to boost investment.

Diagram 1. U.K. SHARE OF WORLD TRADE  
IN MANUFACTURES 1979 - 87



Sources : NIESR, British Business



### Public Investment

4 Public investment has been severely cut back, despite evidence of a mounting repair backlog in both the private and public housing sectors, schools and hospitals. New investment is badly needed in transport systems, and the water supply. Widespread social distress has resulted from the virtual standstill in new housebuilding, which the Government's new Housing Bill will do nothing to relieve. The National Economic Development Council has received report after report detailing these shortcomings. Regional level tripartite meetings have identified many projects which could go ahead quickly if only the money were available. What is needed, however, is a long term public investment programme. The TUC first set out such a programme in 1981 in "Reconstruction of Britain", and this is to be revised to take account of new proposals such as high speed rail links between Scotland, Northern England, and the Channel Tunnel.

### Public Services

5 Public services benefit all sections of the community, but are of particular benefit to those who cannot afford to buy private health care or private education. The Government has, however, continually squeezed funding for the basic services local authorities provide for the local community. The National Health Service has been persistently underfunded for many years, threatening the continued provision of a first class service available to all. The TUC wants to see efficient adequately resourced public services giving a high quality service to all sections of the community. This requires a long term commitment to boost resources, particularly on education, health care, and housing.

### Unequal Britain

6 Even if the economy stays on a high growth path the number of people left behind will grow unless the Government changes policies. There is first of all the lack of new jobs in the North, in the cities of the South and the Midlands, and in the coastal areas of Kent, East Anglia, and in Devon and Cornwall in the South West. Yet the Government is slashing regional aid and

starving the cities of the resources they need. The low paid are falling further behind the rest of the workforce. Yet the Government's employment strategy is based on creating even more low pay - low productivity jobs. Those who depend on social benefits have also lost out because the Government's policies make sure benefit provision has lagged behind other income growth. The worst off have also lost out from tax policies, and will lose out again from future policies such as the poll tax and health charges. The Government's long term strategy seems to be one of creating a two tier health service by forcing increasing numbers of people into the private sector by underfunding the NHS. The facts about divided Britain in the 1980s are set out below.

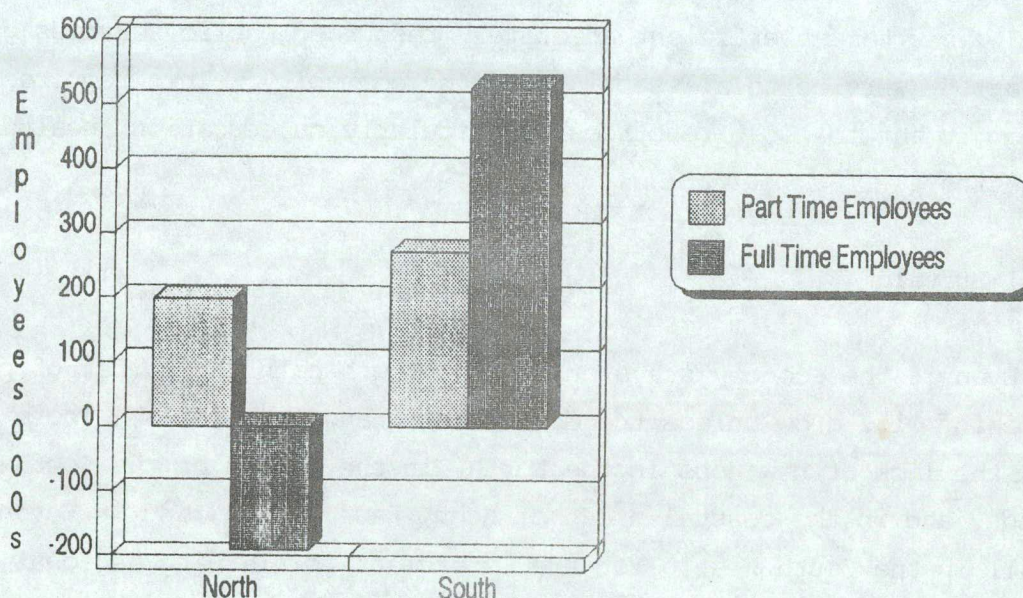
### THE FACTS

#### The jobs divide

- \* There have been 800,000 new employee jobs created since 1983 and virtually all have been in Southern and Midland Britain: two thirds of these have been full-time. This is shown in Diagram 2 below.

Diagram 2. THE JOBS DIVIDE

Employment Change June 83-87



Source : DE Gazette

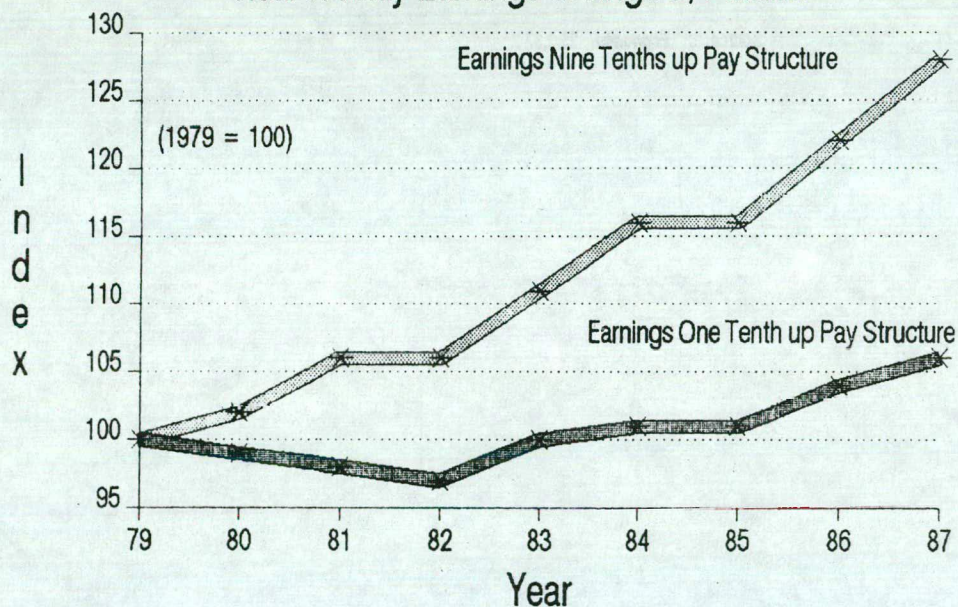
- \* male unemployment in the inner cities of London, Birmingham, Nottingham, and Leicester is still over 25 per cent.
- \* the unemployment rate in the Assisted Areas of the South West is still 17 per cent, and 17 per cent in parts of Kent: unemployment in Great Yarmouth is nearly double the average for East Anglia.
- \* In Northern Britain as a whole full-time employment has fallen by 200,000 since 1983. There have also been 200,000 new part-time jobs. But as one part-time job does not equal one full-time job, full-time equivalent employment fell by 100,000.

### The earnings gap

- \* real wages of those in the bottom tenth of the pay structure in 1987 were only 5 per cent more in real terms compared with 1983. The rise for those in the top tenth was 15 per cent. This is shown in Diagram 3 below.

Diagram 3. THE EARNINGS GAP

#### Real Weekly Earnings Change-F/T Males



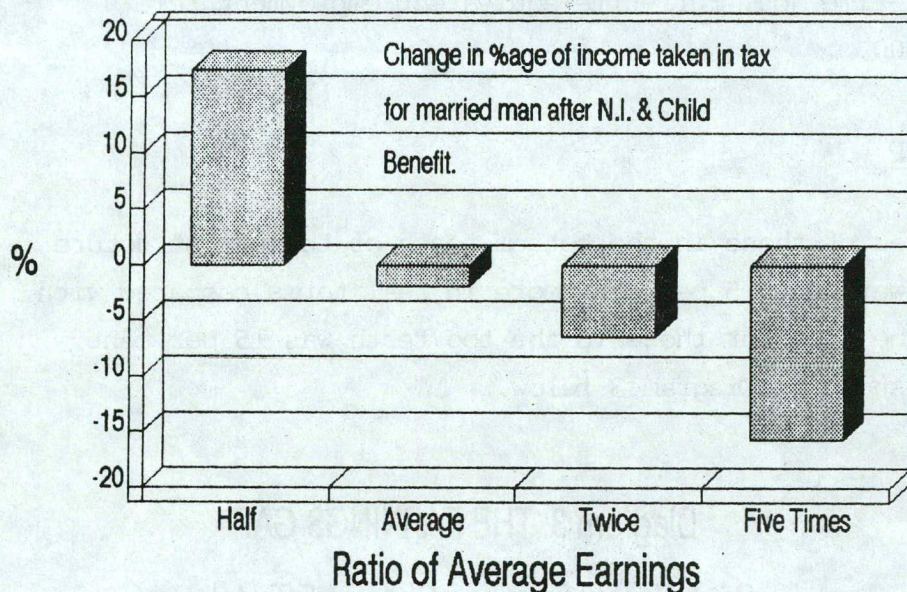
Source : New Earnings Survey(NES)

The tax burden

\* the average share of income taken in tax has increased by 17 per cent for low paid workers since 1979 but has fallen by 15 per cent for the highly paid. This is shown in Diagram 4 below.

Diagram 4. TAX BURDEN 1979-87

Share of Income (Married Man)

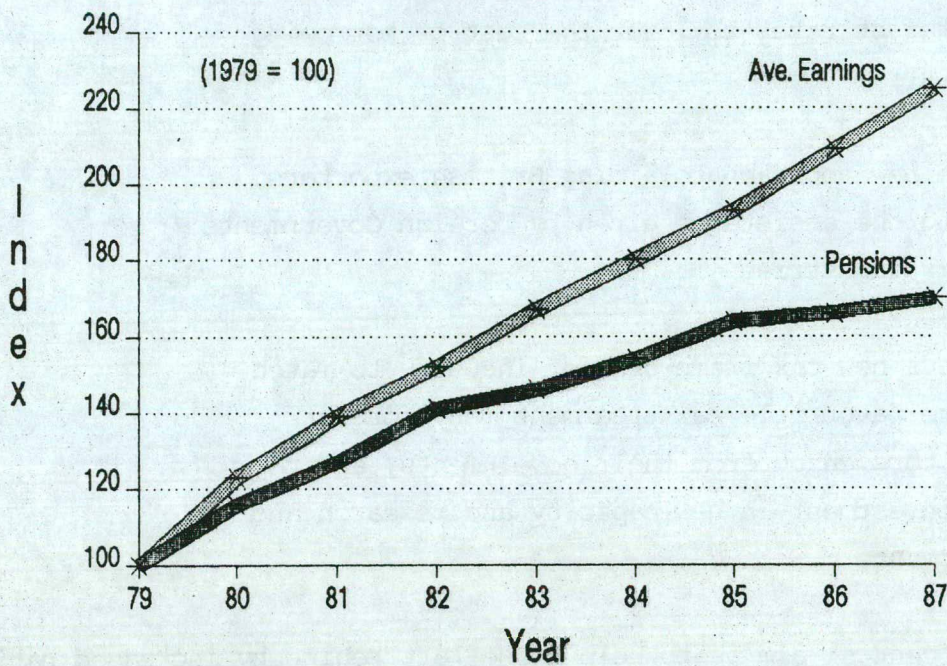


Source : Economist 25.3.87

The incomes divide

- \* the number of people below the poverty line is estimated to be double the number in 1979.
- \* pensions have increased by less than half the rise in average earnings since 1983. This is shown in Diagram 5 below.

Diagram 5. BENEFITS FALL BEHIND



All Figures Cash  
Source : Annual Abstract DHSS

THE TUC'S PROPOSALS

7 The TUC's Budget proposals will help sustain high growth in the economy. Within this higher growth strategy, however, the TUC believes that immediate steps should be taken to improve the competitiveness of British manufacturing and reverse the growing deficit on manufactured trade. The Government should take immediate steps to:

- \* secure a more competitive exchange rate, to boost British exports and discourage foreign imports;
- \* cut interest rates to lower the cost of borrowing to industry;
- \* adopt a new approach to aiding British exporters, matching the assistance given by foreign Governments to their industries
- \* outline a new tax framework for industry to match the more favourable tax treatment many foreign competitors enjoy from their governments, and to boost investment in new capacity and research and development.

But the TUC's central aim is to help those left behind by increased national prosperity, by identifying key priorities for Government action. To create jobs in areas of low employment growth, the TUC is calling for an immediate strengthening of regional industrial and urban policies including more help for local economic initiatives; and backed up by targeted infrastructure spending, on a range of projects, including transport, infrastructure, derelict land clearance, and low cost housing accessible to the local community. The TUC is therefore calling for, as a first step, a regional and urban policy package. This would cost £850 million, and would be made up of:

- \* immediate increase in regional industrial aid provision:  
this would cost £300 million.
- \* increased resources for local authorities under the urban programme and other inner city initiatives:  
this could cost £300 million.

- \* increased provision for infrastructure investment to back up regional and inner city regeneration, for example, local road and rail improvements, more low cost housing and derelict land clearance: this could cost £150 million.
- \* more aid for local economic initiatives such as workers co-operatives, local Enterprise Agencies and the work of Business in the Community, and for local authority aid to local industry and commerce, particularly through local Enterprise Boards: This would cost £100 million.

To begin to reverse the long term underfunding of the NHS, the TUC is calling for an immediate increase in health care spending. The TUC emergency spending package of £750 million - which is on top of the additional spending already allocated by the Government - is made up as follows:

- \* extra provision for service needs: this would cost £340 million
- \* full protection for the service against pay and price increases: this requires £150 million
- \* abolition of enforced 'efficiency' savings: cost is £150 million
- \* maintaining the fabric of the service: this demands £110 million

To help those left behind by the consumer boom, the TUC is calling for a significant increase in benefits which will help those most in need - child benefit, pensions, and unemployment related benefits.

- \* old age pensions to be increased by £8.75 for a couple and £5.90 for a single person. This would cost over £2,600 million
- \* increase in child benefit by £2.50 a week, single parent family allowance by £2 a week; this would cost £2,000 million

\* more help for the unemployed through a long term unemployment premium of £13. This would cost £750 million.



ECONOMIC PROSPECTS

8 Recent experience has shown both that the British economy is capable of high growth, and that this in turn will reduce unemployment. Output growth of 4 per cent in 1987 was achieved through a combination of increased spending and tax cuts in the run up to the election, and a more competitive exchange rate, which helped British exporters. This has produced a welcome reduction in unemployment.

9 This has only been achieved because of the major reversal in the policies adhered to by the Government in the early 1980s. The monetarist 'shock treatment' of deflationary fiscal policies and a high exchange rate led to a severe squeeze on industry, a sharp drop in competitiveness and wide-scale bankruptcies. Output was cutback and unemployment rose sharply. It is only since the adoption of less restrictive fiscal policies and a more competitive exchange rate in recent years that output and employment began to recover. The Government has attempted to disguise the fact that it has dropped its monetarist mantle, but it needs to be clearly understood that monetarism has been discredited as it has been put to the test and has visibly failed. Moreover, recent experience has confirmed the TUC's view that a more expansionary fiscal policy which stimulates growth will in fact bring down the budget deficit because of the sharp increase in tax revenues. This underlines the fact that the PSBR should be seen more as an outcome of real developments in the economy rather than as a starting point for economic policy.

10 But there is a strong consensus amongst recent independent economic forecasts that output growth will fall sharply in 1988 to between 2-2½ per cent. These forecasts are set out in Table 1 below. This shows that the level of registered unemployment is likely to stabilise in 1988.

Table 1: Economic Prospects in 1988

	<u>1987</u>	<u>1988</u>
Growth (GDP, per cent)	3.5	2.4
Unemployment (Q4 millions)	2.8	2.7
Inflation (RPI, Q4 per cent)	4.0	4.3

Note: average of 11 independent forecasts

Source: HMT, November 1987

Underlying Problems

11 As well as the fall in output growth, other problems face the UK economy. According to the Government's Autumn Statement, the current account of the balance of payments is forecast to grow from £2,500 million in 1987 to £3,500 million in 1988. This is largely explained by the forecast deficit in manufacturing trade of £9,000 million in 1988. UK interest rates are still amongst the highest in both nominal and real terms. Inflation is forecast to remain at around 4½ per cent in 1988, one of the highest levels in the leading OECD economies. Finally, productivity growth in the economy as a whole has been consistently lower between 1979-87 than in the 1960s and early 70s. This is shown in Table 2 below.

Table 2: Productivity growth 1964-87

Annual averages. per cent change

	<u>1964-73</u>	<u>1973-79</u>	<u>1979-87</u>
Manufacturing	3¾	¾	4
Non-manufacturing*	3	½	1½
Whole economy	2¾	1	2
Non-North Sea economy	2¾	½	1¾

Notes: \* Non-manufacturing excludes public services and North Sea oil and gas extraction.

Productivity growth is output per head of the employed labour force.

Source: Autumn Statement

THE WORLD ECONOMYEconomic outlook

12 Recent events in the world economy raise even further doubts about the prospects for the UK. The world-wide stock market "crash" has served to highlight and reinforce the underlying problems in the world economy. Firstly, overall growth levels are too low. The European Commission is considering revising downward yet again the already very low forecasts for growth in the Community, with the prospect of growth of only 1½ per cent in 1988 and a consequent increase in unemployment. The Organisation of Economic Co-operation and Development (OECD) itself predicts that unemployment in its member countries will rise in 1988. Second, there are serious imbalances between some of the leading OECD economies. Debate has focussed on the need to cut the US budget and trade deficits. However, much of the criticism of the US has been misdirected for two reasons: first, the US General Government budget deficit as a share of GDP is actually less than most major OECD economies as Table 3 shows. Secondly little pressure has been put on either Japan or West Germany to eliminate large budget and trade surpluses. Moreover, some of the criticism of West Germany by the UK, for example, lacks credibility because of the past association of the UK Government with similar restrictive budget policies.

Table 3: General Government Budget Deficits

	<u>Percentage of nominal GNP/GDP</u>	
	<u>1987</u>	<u>1988</u>
United States	2.4	1.8
Japan	0.9	0.2
West Germany	1.5	2.0
France	2.7	2.5
United Kingdom	2.7	2.7
Italy	12.6	12.2
Canada	4.9	4.6

Source: OECD

13 The onus should in fact be on the surplus countries to take the lead in reducing the imbalances. Action to reduce the trade surpluses by adopting more expansionary policies will mean that a balance would eventually be achieved at a higher level of output and employment than if action is limited to reductions in the US deficits. Recent experience in the UK supports this view as restrictive fiscal measures actually forced the UK budget deficit up in the early 1980s as a result of the rising cost of unemployment benefits and the loss of tax revenues. In contrast, over the last few years less restrictive fiscal policies, including increased spending, has helped to stimulate growth which in turn has increased tax revenues and subsequently brought down the budget deficit.

#### United States

14 There is a danger therefore that the current discussions in the US over cuts in the Budget will achieve the worst of all possible worlds. Confidence has not been restored in the markets as the scale of the announced budget cuts of around \$30 billion in 1988 has already been discounted. US growth could fall to below 2 per cent as the impact of the budget cuts on demand is felt. West Germany, Japan and the UK show no signs of undertaking adequate measures to stimulate growth in order to prevent the slowdown in the US developing into a world recession. Recent estimates by a US economist suggest that this could eventually lead to European unemployment increasing by 4 million. Exchange rate instability will grow as the Louvre Accord reached in February 1987 has effectively broken down. In view of the willingness of the US Administration to allow the dollar to fall in order to bring down the trade deficit and the failure of other OECD countries to respond, there is a growing risk of a 'hard landing' or sharp crash for the dollar. This in turn could trigger a sharp rise in world interest rates, which will not only hit investment in the industrialised economies but it would create severe difficulties for the debt-burdened developing countries.

15 The clear lessons to be drawn are that the world economy is in a highly unstable position, in which the forecast slowdown could rapidly develop into a severe recession. Moreover, there is considerable inter-linkage between the problems which can only be addressed by co-ordinated action. The forecasts for the UK economy may therefore be too optimistic in view of the risks posed by developments in the world economy.

## INTERNATIONAL CO-OPERATIVE GROWTH STRATEGY

16 Both the European Commission and the OECD have advocated a co-ordinated economic growth strategy, and this has been strongly supported by international trade union and employer organisations. The Commission's co-operative strategy for growth and employment should be redrawn to take account of recent developments, and put to Community Governments as soon as possible. Indeed, not only will the co-operative growth strategy not be fulfilled, but failure to agree effective counter-action will threaten the completion of the internal market by 1992. The need for an immediate Summit to agree such a strategy has never been more important. Although the Chancellor has suggested that the Summit should not take place until agreement on the outcome has effectively been reached, this is likely to result in continued inaction. Key countries are unlikely to commit themselves to a major shift in policies until they can be certain that guarantees of action are given by other countries. This is only likely to happen within the framework of a Summit. The Summit should include the European Commission and representatives of the major debtor countries.

17 The Summit should set itself three aims. Firstly, it should achieve firm commitments to clear employment and growth targets which will produce a sustained fall in unemployment. The European countries should take a lead in the discussions by committing themselves to implementing the co-ordinated growth strategy advocated by the European Commission. Secondly, there must also be a common commitment to reducing interest rates and to achieving collectively agreed exchange rates which will contribute to a reduction in the large trade imbalances. Finally, it should tackle the ever-present danger of the debt crisis. The general commitment to higher growth and lower interest rates will help but there also needs to be a major strengthening of the World's Bank's resources, debt write offs and debt restructuring.

## BUDGET STRATEGY

18 The primary task of the Government should therefore be to ensure that action is taken at the domestic and international to avoid the forecast slowdown in the UK and world economy. The two are closely inter-linked as active measures to stimulate the UK economy will encourage reciprocal action by other OECD members. This in turn will assist in maximising the positive

and minimising the negative effects of expansion. However, this does not mean that the UK should await an agreement on co-ordinated action, as by that time the slowdown in the economy may have gathered momentum. The key objective for the 1988 Budget should be to maintain output growth at the 1987 level of 4%. This means in effect that the Budget has to provide an additional boost to output of between 1½-2 per cent in 1988. This can be achieved through a combination of fiscal, exchange rate and interest rate policies.

### Fiscal Policies and the PSBR

19 The Government's fiscal strategy has had to be modified significantly since the early 1980s. The view that economic policy could be based around a set of declining PSBR targets which had to be strictly adhered to has been shown to be wrong and misinformed. Firstly, the Government has been noticeably unsuccessful in its aim of achieving its targets as they have been consistently overshoot or undershot. The Chancellor has in fact recently implied that targets could be adjusted to take account of unforeseen developments in the economy. This would have been a heresy in 1980. Secondly, the Government has frequently changed the rules of the game; for example, it has included the receipts of public asset sales within the PSBR, which have a very different impact on the economy than a comparable change in spending or taxes. This had the attraction of concealing the fact that the Government had adopted a less restrictive fiscal stance in the run-up to the Election. However, the failure of the BP flotation has raised major doubts over the Government's ability to raise the projected revenues from privatisation sales in future years. The growing public perception that participation in the stock-market is no longer a safe one-way bet was reinforced by the more recent Eurotunnel flotation. The public sector financial deficit (PSFD) in fact gives a clearer picture of the fiscal stance.

20 A formal announcement by the Chancellor that the PSBR should no longer be seen as the central element of the Government's strategy would assist in shifting the focus of the markets away from the monetary variable towards real economic indicators. The first priority should in fact be to set real growth targets that will produce a sustained fall in unemployment. Money GDP targets which have been advocated by some economists are inadequate as they do not take into account the balance between real growth and higher prices. There is no means of ensuring, therefore, that real growth targets are achieved. This does not mean that the inflationary impact of budget changes should be ignored

but there is considerable evidence that measures on the scale proposed in this submission would have only a minimal impact on prices.

21 The starting point of the Chancellor's budget should therefore be to determine what level of additional spending is required to achieve the growth target of 4 per cent. The Chancellor has the Treasury's own economic model to assist him; simulations on other models, including the London Business School (LBS) and NIESR models, suggest that additional spending of around £7,000 million would boost output by 1½-2 per cent to 4 per cent in the first year. The PSBR would in fact rise by less than half of the increase in spending because higher growth will result in increased tax revenues and lower spending on benefits. The PSBR in 1988 would therefore rise from the £1 billion forecast in the Autumn Statement to around £4,000 million, the level previously set at the time of the 1987 Budget. As a share of GDP the PSBR would still be lower than in other leading OECD countries.

#### Priorities for Expansion

22 The priority should be to increase public spending rather than to reduce taxes. Higher public spending is a more effective way of reducing unemployment and minimising the adverse impact on the balance of payments for two reasons. First the benefit increase is more likely to be spent than saved compared with an equivalent reduction in taxes and will therefore produce a higher impact on demand, output and employment. Similarly, increased spending on the NHS and infrastructure has a more direct impact on demand and jobs. Second, a higher proportion of benefit increases is spent on UK products rather than imports.

#### Exchange Rate and Interest Rate Policies

23 The Government has been pursuing an exchange rate policy over the last 12 months. This became clearly apparent with the Chancellor's involvement in the Louvre exchange rate Accord in February and his subsequent commitment to maintain the sterling exchange rate at around its existing level against the dollar and the D'Mark. This is again a far cry from the monetarism of the early 1980s which suggested that the Government simply needed to set the money supply target and that the markets would then determine the level of interest rates and the exchange rate. This meant that the Chancellor failed to take action in 1980 to prevent the sharp appreciation of sterling which had such disastrous consequences for UK industry.

24 The shift in policy that recognises that the Government can influence the level of the exchange rate is therefore welcome. But it needs to go further by recognising that both the exchange rate and interest rate policies should be closely linked to the fiscal measures needed to expand the economy and increase competitiveness. This means a move away from the high exchange rate-high interest rate policy adopted over the last year which has put the competitive gains achieved in 1986 at risk. The best solution lies in a combination of a lower announced exchange rate target and a cut in the UK's short-term and long-term interest rates of 2 per cent which would bring UK rates more into line with those in West Germany and Japan. The revised exchange rate target and interest rate cut should be implemented as quickly as possible in order to prevent the slowdown in manufacturing export growth and to boost investment. Moreover, a positive move by the UK to reduce interest rates would be seen as a major contribution to a co-ordinated world growth strategy to avoid the slide into recession.

#### INVESTMENT IN INDUSTRY

25 The earlier sections have outlined the macro-economic policy changes required to maintain high growth. The prospect of sustained high growth should in itself help to boost confidence and stimulate higher private sector investment. There is, however, a pressing need to do more to redistribute growth away from imports of consumer goods, and towards British factories and suppliers. This was highlighted by the CBI at the October NEDC when they argued that 'there was a substantial backlog of investment - in capital, equipment, in skills and in innovation'. It suggested therefore that 'there must be an era of investment, to cope with the backlog in both private and public sectors'. Action must also be taken to help British exporters maintain and expand their markets.



## Help for Exporters

26 Firstly, a more competitive exchange rate will make British goods cheaper abroad, and also make imports to this country less attractive in terms of price. Secondly, more help and on better terms can be given to exporters through Government aid and assistance programmes, such as the Export Credit Guarantee Scheme. The TUC believes the Government should undertake an urgent review of aid to exporters. The aim should be to provide assistance to match foreign competitors, develop existing markets, and open up new markets; and not, as at present, to minimise the cost. As a first step, there should be a 10 per cent increase in the staff and resources available to the British Overseas Trade Board and the Foreign Office commercial services, towards restoring the cuts since 1979. And the statutory objective of the Export Credit Guarantee Department to encourage trade should take priority over the aim of covering its costs in the short term. Such measures should be self-financing, as the House of Lords Select Committee on Overseas Trade recognised. There is also scope for an immediate and substantial increase in the Aid and Trade Provision, linking overseas development objectives with positive support for British firms, to bring them nearer the level of support available to their competitors. This should be financed by an increase in the overall aid budget, rather than at the expense of other elements of overseas aid.

## Industrial Policy

27 Useful and essential though these measures are, they can only relieve the pressure on the visible trade balance. A long lasting solution lies in a new approach to industrial policy, one which recognises the need for large scale investment in new technologies throughout industry and the development of new industries for the future. The Government's over-reliance on market forces and small firms is unlikely to secure either objective. The Government was itself forced to recognise the failure of market forces by directly intervening in the recent BP flotation. Without the public guarantee the flotation would have had to be dropped. It is in fact the Government's failure to give similar guarantees to large scale private or joint infrastructure projects, such as the Channel Tunnel, which has prevented them from proceeding in the past. This is in marked contrast to other European countries, such as France, where government guarantees have stimulated infrastructure projects. The Government should therefore learn from the overseas experience and the BP flotation and be prepared to take a flexible

approach to guarantees on major projects in the future. The Severn Barrage is one such project which would attract private finance if there were some sort of Government guarantee.

28 The TUC would be the first to recognise that industrial policy must be a long term policy and the changes needed cannot be achieved overnight. However, the Budget gives an opportunity for the Government to signal a new approach to industry, in the key areas of industrial investment, research and development, and training.

### Investment

29 Since the Government began to phase out 100 per cent capital allowances in 1984, investment in manufacturing industry has been more or less stagnant. And what investment has taken place has been directed towards improving efficiency rather than increasing capacity and generating new jobs. The tendency has also been borne out in the more recent industrial surveys.

30 The higher value-added sectors, which are the key to economic growth, require substantial investments in research and new technologies. The new investment that will be required to enable British industry to respond to the substantial growth that the TUC is calling for cannot be left to chance. The TUC has already called on the Government to investigate how tax incentives can be used to encourage and support investment in new capacity, and research and development. The Government should commit itself to bring in as soon as possible a new tax framework for industry with the central objective of boosting investment. This should contain two key elements: it should be applied selectively, so that it does not simply provide incentives to investment that companies would have undertaken anyway, and it should aim to match the comprehensive support available to our main competitors. This new approach should look at ways in which existing tax systems discourage investment, for example, the Institute of Fiscal Studies (IFS) has recently suggested that this has happened for oil companies.

## Training and Education

31 There is a pressing need for increasing investment, as part of a co-ordinated strategy for growth, in education and training in educational institutions, industry and services if future and existing workforces are to be adequately prepared to respond to the changing nature of employment. The Government's policies will not only deepen social divisions they will perpetuate such divisions throughout future generations. Under the guise of increased parental choice, local development of financial responsibility and responsiveness to industrial interests, the Government's Education Reform Bill, currently passing through Parliament, will fundamentally change the public education system. These changes are to be financed in the main by a redirection of existing resources rather than increased spending. Currently, the education service is shored up by local education authorities exceeding the spending targets laid down by the central Government and by 'voluntary' contributions from parents. The extra money from the Government is woefully inadequate, and is to be spent nationally not on local education services. No allowance has been made for the extra teachers needed or extra books and equipment, all of which are paid for locally, or the extra cost of allowing schools and colleges to administer their own budgets.

32 Yet the largest single determinant of educational success continues to be socio-economic factors. While the comprehensive system has made substantial inroads into social class being a factor in educational achievement, schools in wealthier areas have parents able to make larger 'voluntary contributions' to their child's education. The changes and their financial implications mean educational institutions will be pressurised into seeking greater support from parents or industry and educational opportunity will become even more dependent on the wealth of the catchment area. The TUC's long term strategy for training and education requires:

- \* All pupils at school need access to a broad and relevant curriculum which equips them for their future in employment and in society.
- \* Young people need coherent and effective provision as they enter the labour market, and such provision is also needed in retraining and upgrading throughout life. This requires a considerable commitment of resources at national level on a long term basis.

- \* Additional resources are needed to ensure adequate provision of well trained teachers, books and equipment, well equipped school buildings and equal opportunities for all pupils regardless of parents income, geographical location, sex and race; to improve the quality of vocational education and training in YTS and in colleges, with fair training allowances and grants to maintain popular support.
  
- \* Adult training needs a major boost - preparing unemployed people for useful work and giving employees access to more and better training opportunities. However, the TUC accepts that this is not just a Government responsibility - employers must play their part, whether by additional persuasion, or, as seems likely to be necessary, by legislative action.

### THE JOBS GAP

#### Regional employment

33 Higher growth in 1987 has certainly helped reduce unemployment and has created more full-time jobs. But even with high national growth rates Northern Britain has seen little of the benefits in terms of new jobs. Between June 1986 and June 1987 the number of employees nationally grew by over 270,000, but 86 per cent were in Southern and Midland Britain and three quarters of these were full-time jobs. In the rest of Britain the number of employees in employment grew by only 38,000 - all part-time jobs.

34 This has been the consistent pattern since employment started to recover from the recession of the early 1980s. Since 1983 the number of employees in employment has increased by over 800,000. But almost none of this increase has occurred in Northern England, Scotland and Wales. Moreover, in Southern and Midland Britain most of the new jobs have been full-time jobs, but in the rest of Britain full-time employment has gone on falling. As one part-time job does not provide the same hours of work as a full-time job, employment in Northern Britain on a full-time basis since mid 1983 has fallen by nearly 100,000 while employment in the rest of Britain has grown by over 660,000.

### Local Unemployment

35 The jobs gap in Britain goes far deeper however, than a simple picture of a prosperous South and an impoverished North. For example, average unemployment in parts of the South West is over 17 per cent, while average unemployment in the non Assisted Areas of the Northern region is well below the national average. There is also an equally deep divide in many regions between metropolitan Britain and the surrounding non-metropolitan areas. This is particularly the case in the inner areas of major cities - not only Northern cities such as Liverpool, Manchester, Glasgow, Leeds and Newcastle; but also Midlands cities such as Birmingham, Nottingham and Leicester; and in Southern cities such as Bristol, London, and Plymouth.

### The Government's Plans

36 The Government's approach to regional development and the inner cities is to rely more and more on market forces and less on Government assistance. The Government's previous review of regional policy in 1984 has seen major cuts in the level of assistance. However, it is clear from press reports that a further major review of policy is being undertaken, and that the aim seems to be to weaken regional policy even further. There has also been speculation that a White Paper is being prepared on inner city policy, but the only published Government plans show spending will barely keep pace with inflation to 1990. Nor does this take account of considerable cuts in local authority spending, or the unfair impact of the poll tax, on inner city communities.

### Regional Policy

37 The TUC, CBI, and others all had the opportunity to comment on the Government's 1984 proposals. Sadly, the current review has been conducted behind closed doors, and whatever policy emerges will not have been subject to public debate and discussion. Similar concerns must exist about any White Paper on the inner cities, despite the wide range of informed opinion outside Government - including the churches, employers, trade unions and local authorities. The TUC believes that a strong regional and urban policy is essential if the jobs divide is to be reduced. The 1984 White Paper's insistence that greater reliance on market forces would deliver jobs in the high unemployment regions and in the cities has been shown to be misplaced,

despite higher economic growth nationally. Regional policy has shown it can create many hundreds of thousands of jobs; for example, independent research has shown that regional policy created nearly 700,000 jobs up to 1981 and its effectiveness could be increased even more in the long run by introducing specific measures more closely related to job creation, such as lower national insurance contributions for firms in the Assisted Areas.

### Urban Policy

38 The problems of urban decline, particularly in the inner cities, are present in all regions of the country, and the Government's commitment to inner city regeneration is welcome. However, it must be backed up by additional resources, not only for Government initiatives such as UDCs but for local authorities through the urban programme and mainstream spending programmes, such as education, social services and housing. Two key elements which the Government's approach does not sufficiently emphasise are the need for community partnership, and the need to ensure that local communities get a fair share of the benefits of economic regeneration. The development and encouragement of local economic initiatives should be a central plank of the new approach to both regional and inner city regeneration.

### UNEQUAL SHARES

#### The divide

39 Economic growth in recent years has seen the real incomes of many of those in work rise. Profits have risen even faster, and despite the recent fall on the Stock Exchange the value of shares has also increased. So too have house prices, at least in the South East. In short, the past four years have seen a real increase both in incomes from employment and incomes from holding wealth producing assets. Yet the undoubted increase in national prosperity has been unfairly and unevenly divided, so the gap between the less well off and the rich has widened.

40 The average earnings of full time male workers has been growing at an average of 3 per cent a year in real terms (after allowing for inflation) since the mid 1980s. However, since 1983 it has been the higher paid group of workers who have received the highest pay awards, and combined with lower inflation has meant the real wages of those in the top half of the earnings distribution have increased much faster than real wages for the poorer paid.

This trend is intensified the nearer the top of the salary scale, with the earnings of top executives outstripping those of employees - even when non-direct salary increases from earnings, stock options, and fringe benefits are excluded. At the other end of the scale, many manual workers, particularly those in the higher unemployment areas, have barely kept up with inflation; the same is true for lower paid auxiliary and ancillary workers in the public services; and for workers largely unrepresented by collective bargaining.

41 This has not been a result of free market forces so much as the outcome of Government strategies towards job creation and the public sector. As was shown earlier, the Government's approach to job creation has been to encourage low pay, low productivity employment, with large numbers of part-time jobs for female workers in "traditional" private sector service industries and occupations. This has been accompanied by a weakening of legal protections for low paid workers, reducing their bargaining power with employers even further. The Government is now trying to extend this to the civil service in order to drive average wages down, and hence help cut public spending. This follows years of either holding public sector pay down directly or forcing down wages by contracting out of existing services, particularly by local authorities.

#### NATIONAL HEALTH SERVICE

42 The TUC gives the highest priority to the National Health Service. The NHS has had an exemplary record in improving the health and well being of the community. These improvements have touched every part of the country. It will face many new challenges in the years ahead and it is vital that the service is given the necessary support to continue and extend its work. The NHS is one of the best investments of public money but the system of comprehensive care provided for everyone can only be properly sustained by a continued investment programme raised from monies collected through general taxation.

43 The NHS currently deals with over six million in-patient cases and 37 million out-patient cases every year. It employs over a million staff in a wide variety of disciplines to care for patients at a total cost of £16½ billion. The development of the service has been hampered by penny pinching economies in recent years which have cast a shadow over the high quality care and treatment provided by the NHS for millions of patients each year. The

provide the health service with greater flexibility to meet developing needs such as care in the community and AIDS as well as beginning to tackle the backlog of accumulated cases waiting for treatment.

(iii) The Fabric of the Service

Hospitals have been closing and wards and beds have been left empty in response to the pressure on health service costs, particularly in inner cities. At the same time NHS land and buildings have been sold and the backlog of essential hospital maintenance and repairs have been growing. Extra investment would allow a twelve month moratorium on hospital and bed closure to be called. It would provide a stable foundation from which to ensure continuity of care and treatment and facilitate a start on the outstanding backlog of repairs and maintenance.

TAX AND SPENDING POLICIES

45 The divide has been made worse by the Government's tax and benefit policies. Even after taking account of the 1987 Budget tax cuts, the share of income taken by tax for a married man with two children on half average earnings has increased from 14 per cent in 1979 to 16 per cent in 1987. In contrast, the share of income taken by tax for the same man earning five times the average has fallen from 52 per cent in 1979 to 44 per cent today.

Combatting Poverty

46 The TUC has consistently called for more public spending rather than basic rate tax cuts. This is both on economic grounds, in particular it has beneficial impacts on jobs and the balance of payments, but also because it can greatly help redress the income divide. The Government's strategy of cutting basic rate income tax means that the benefits go disproportionately to those on above average earnings and offer no benefit at all to those not in jobs or with very low earnings. However, if the Government is determined to pursue a tax cutting strategy, there are other albeit "second best" options which will help the poor more than a cut in the basic rate. For most people on average earnings and for all taxpayers on lower earnings, either an



increase in personal allowances or a reduced income tax rate band will leave them better off.

#### Higher Personal allowances

47 Instead of a 2p basic rate income tax cut, the Government could raise personal allowances by an average 15 per cent after indexation. This would benefit people just over the existing tax threshold, and some would be taken out of tax altogether. However, like basic rate tax cuts, the financial benefit increases the higher the earnings, particularly those on £20,000 or more; and the greatest benefit of all goes to two earner couples.

#### Lower tax bands

48 Alternatively, the Government could use the money from a 2p tax cut to introduce a lower income tax band. This could provide significant benefits for the less well-off, and there are a range of options. For example a lower income tax rate of 17p (10p below the existing base rate) over the first £1,500 of taxable income would be particularly helpful for single people on or below average earnings. A smaller tax rate cut over a wider income band, for instance to 20p over the first £3,000 of taxable income or to 22p over the first £4,500, would give greater assistance to couples. Nonetheless, most two earner couples would gain most from raising personal allowances. The TUC will be examining more thoroughly the case for a reduced rate tax band, including its relationship with social benefits and impact on the poverty trap. As in other spheres however, the analysis of alternative strategies is hindered by the paucity of the data provided in the Autumn Statement's Tax Ready Reckoner.

#### SOCIAL BENEFITS

49 The number of people needing to claim social benefit has greatly increase in the 1980s. There has been a small increase in the number of people of retirement age and a fairly considerable increase in the numbers in receipt of sickness and disability benefits. The greatest increase however has been the result of increased levels of unemployment. More than 7½ million people are now dependent on supplementary benefit; more than 5½ million because of unemployment. In 1980 the Government ended the link between pensions and long term benefits and earnings and instead linked all benefits to change in the Retail Prices Index. The result has been that people who have to claim benefits for part or all of their income have failed to share in

the rise in average living standards in the 1980s. For example, average earnings have increased by 35 per cent since 1983 while pensions for a married couple increased by only 16 per cent, and child benefit by only 12 per cent. The latter increase is less than the rate of inflation over the period.

50 Social security changes to be introduced in April 1988 will do little to alleviate the increasing poverty in which people claiming benefits and those on low incomes are placed. While the immediate benefit levels that people on supplementary benefit currently receive will be protected in cash terms, many claimants in real terms suffer loss of benefit. In particular people on housing benefit will have to pay a minimum 20 per cent of their rates. People on income support will also lose payments made to meet water rates, a series of additional payments payable, for example, for high heating costs, and the right to claim single payments. Single payments will be replaced by repayable loans from a Social Fund. The effect of these changes is likely to be that already poor unemployed families will become worse off.

51 In addition, new housing benefit rules and increased tapers for standard benefit will mean that 1 million people on lower incomes will no longer receive housing benefit and many others will receive less benefit. Housing benefit cuts are of particular concern bearing in mind proposals on rented housing in the current Housing Bill, which are likely to push up rent levels.

52 The only additional provision made for poor families is an increase in Family Credit (which will replace Family Income Supplement). But child benefit, which provides a straight forward payment to all mothers to assist with the costs of bring up children, is to be frozen. The TUC has criticised the new proposals in detail on many occasions and suggested ways in which social security provisions might be improved.

53 The TUC believes that the Government should use the opportunities in the 1988 Budget to re-assess the growing divide. As a starting point, the Government should restore the link between pensions and earnings. Increasing the retirement pension for a married couple by £8.75 a week and for a single person by £5.90 a week would begin to compensate pensioners for cuts they have suffered. In a full year this would cost over £2,600 million. The Government should also make good the cut in the real value of child benefit caused by the decisions not to uprate it in line with prices in 1985 and 1988. This would provide a level of £7.90. However, in order to better assist with the costs

of bringing up children, child benefit should be raised by a further £2.50 a week. One parent family benefit should also be increased, by £2 a week. Together these increases would cost £2,000 million.

54 The TUC has previously identified the exclusion of long term unemployed people from the long term rates of supplementary benefit as a major form of benefits discrimination. There are currently more than one million people who have been unemployed for more than a year and they and their families have to subsist on benefit levels not identified for long term support.

55 With the introduction of income support, based upon the payment of basic allowances and premiums, unemployed people will continue to lose out. There is no premium for long term unemployment. Single people and couples will receive only basic allowances. Unemployed families will receive only personal allowances and the family premium. They will, like others, lose additional payments and the right to claim single payments. In order to bring them into line with other long term groups in receipt of income support the TUC proposes a long term unemployment premium of £13. This would cost £750 m.

56 Together the above measures would cost around £5,350 million. The Government should be prepared to introduce the increased rates from April 1988 and subsequently to make payments backdated to that date.

#### CONCLUSIONS

57 This Submission has reached a number of key conclusions. Firstly, the UK will experience a sharp fall in growth on current policies and the decline in unemployment will come to a halt in 1988. The UK's economic prospects are further threatened by the instability in the world economy. A world summit should be called to agree a co-operative growth strategy which would set clear growth and employment targets, restore stability in the foreign exchange markets and tackle the international debt problems.

58 The budget strategy should aim to maintain growth at 4 per cent, but this can only be achieved by an increase in spending of around £7 billion. Resources should be targeted on increased spending rather than tax cuts as this will produce a bigger cut in unemployment and a smaller decline in the balance of payments. The Budget needs to set out a new approach to industry, both to stimulate exports and restrain imports; and to introduce a new tax

framework aimed at raising investment in new capacity, research and development and training.

59 The Budget must also show that the Government is prepared to tackle the growing divide in jobs and in incomes. The former must be tackled by strong regional and inner city policies, backed up by targeted public investment particularly on housing. The latter must be tackled by a rethink of the Government's employment strategy away from encouraging low pay, low productivity jobs, by raising social benefits for those in poverty and by a change in the tax cutting strategy.

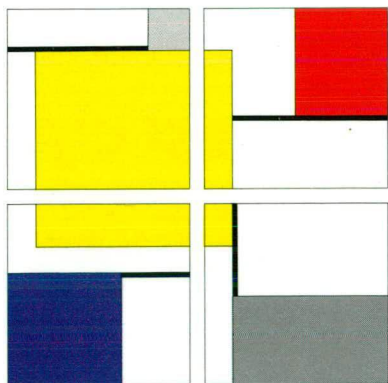
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**1988**

**PREVIEW**

# Budget Series

The major tax event in any year is the Budget. This can have a substantial effect on the financial position of individuals, companies and other organisations. To ensure that you are kept fully informed we have developed the Peat Marwick McLintock Budget series.

The series has five elements:

## Preview

Our *Preview* identifies items where it has already been announced that action will be taken in the Budget and sets out some of the other options available to the Chancellor and the impact these may have. Perhaps most importantly our *Preview* identifies areas where you should consider taking action before the Budget.

## Executive Summary

Published only hours after the Chancellor sits down, our *Executive Summary* will bring you the facts in the clearest possible manner. Increasingly more and more of the changes arising from the Budget are notified in press releases rather than in the Chancellor's speech and our *Executive Summary* will ensure that you are aware of all the changes proposed.

## Commentary

Published two weeks after the Budget Statement our *Commentary* will examine the planning implications of the more important proposals in the Budget and the effect these may have.

## Topic Analyses

There will be some areas where the Chancellor will propose major changes or where he will be innovative. Our analyses of specific topics will be published after the Finance Bill is available to increase your understanding of some of the problems and opportunities arising from the changes.

## Finance Act Summary

Immediately after the Finance Bill receives Royal Assent our *Finance Act Summary* will be available to ensure that you are aware of which proposals finally became law and what they entail.

The fundamental business philosophy of Peat Marwick McLintock centres on our concern for and commitment to client service. A major part of that service is to ensure that you are kept informed of major tax developments, so that you can anticipate and react to tax changes, forestall potential problems, and implement new planning opportunities.

We, therefore, very much hope that you find this expanded programme helpful, and we would appreciate any comments or suggestions for improvements you may wish to make.

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## PREFACE

It has been widely predicted that in his Budget Statement on 15th March the Chancellor of the Exchequer, the Rt Hon Nigel Lawson, MP, will achieve the 'hat trick' of increasing public spending, reducing taxation and reducing the public sector borrowing requirement.

In addition, there has been speculation that, before he eventually moves on to another department, the Chancellor may wish to set in train further wide-ranging reforms to the UK taxation system beyond those already in hand, such as the review of husband and wife taxation and the introduction of a 'pay and file' system for companies. This year's Budget could well be an important, innovative Budget which sets the scene for tax developments over a number of years.

On page 2, we have noted some tax planning ideas in relation to the Budget which could be of immediate interest to you. Many of the changes announced on Budget Day will apply from the beginning of the next tax year (ie 6th April 1988) but a number will take effect more or less immediately. Measures which are detrimental to the taxpayer are likely to apply from the start of Budget Day to prevent forestalling. Any pre-Budget Day tax planning action should therefore be completed by midnight on 14th March at the latest.

On page 3 we have listed a number of changes which have been widely predicted together with areas where there has been speculation that proposals for major restructuring of the tax system might be announced. This provides a form of 'checklist' of items to watch for in the Budget Statement.

Pages 4 to 14 provide a more detailed discussion of areas which are or could be under review under the separate headings of personal taxation, business taxation and other matters.

A number of reliefs and rate bands have been indexed, ie they will be increased automatically in line with inflation unless the Finance Bill provides otherwise. These are noted on page 15.

Finally, details of various measures to be included in the 1988 Finance Bill which were announced prior to this document going to press are given on pages 16 and 17.

## TAX PLANNING

Listed below are some areas which you may need to consider or take action on before the Budget. The Budget may provide further tax planning opportunities and you will need to consider the full implications of the proposals following the Budget Statement.

### Personal taxation

- If you are intending to crystallise unrealised capital losses in the current tax year by bed and breakfasting shares or securities then it may be advisable to complete these transactions before Budget Day.
- It might be advantageous to defer realising capital gains until after Budget Day, at least on assets which have been held for a substantial period. It is not likely that the tax on such items will be increased by the Budget but there could conceivably be some relaxation even if the chances of outright abolition of capital gains tax may seem remote.
- If as a result of the Budget changes you expect to be subject to a lower marginal rate of income tax in 1988/89 than in 1987/88, then it may be advantageous to bring forward reliefs into 1987/88, eg by electing to carry back retirement annuity/personal pension scheme relief or business expansion scheme relief from 1988/89 to 1987/88. If you have not already utilised your maximum relief for retirement annuity premiums in 1986/87 then you can elect (before 6th July 1988) for a premium paid in 1987/88 to be carried back to 1986/87; this may give you greater scope for a subsequent election to carry back relief from 1988/89 to 1987/88.
- Similarly, if you expect to be subject to a lower marginal rate in 1988/89 it may also be advantageous to defer taxable income (eg remuneration from a family company) from 1987/88 to 1988/89.

### Business taxation

- Companies which intend to crystallise unrealised capital losses by bed and breakfasting shares and securities might be advised to complete these transactions before Budget Day.
- It might be advantageous to defer realising gains until after Budget Day, at least on assets which have been held for a substantial period.
- As a result of a change in the rate of advance corporation tax at 6th April 1988, some companies could have an increased liability to advance corporation tax on dividends paid before 6th April 1988. This is because under existing law it is not possible to set franked investment income received after a change of rate against franked payments made in the same accounting period but before the change of rate. Companies which could be affected should examine whether there is scope to mitigate this by altering the timing of payments or receipts.
- If there is a reduction in the small companies rate of corporation tax, then companies which are subject to that rate will obtain a benefit (in addition to the normal cash flow benefit) by deferring income into their next accounting period or by advancing expenditure into the current period. The maximum benefit arises to companies with a 31st March year-end but the point is also relevant to companies with other accounting dates.

## KEY POINTS

Set out below are a number of matters of general interest which may figure in the Chancellor's speech. Broadly, these are changes that have been widely anticipated or areas where the Government's current thinking may become clearer as a result of the speech.

### Personal taxation

- A reduction in the basic rate of income tax, possibly from 27% to 25%.
- Reductions in higher rate income tax. A reduction in the top rate, possibly from 60% to 50%, and further measures to make the graduation less steep, ie a widening of the rate bands and the introduction of new rates between the basic rate and the 40% rate.
- A possible extension of the higher rate tax base by restricting reliefs to the basic rate, eg personal allowances, mortgage interest relief, relief for pension contributions. These restrictions could be introduced as part of a package to move to a low rate personal tax system.
- The possible removal of the upper earnings limit for employees' national insurance contributions, again as part of a package to move towards a low rate income tax system.
- A statement on the Government's proposals for the reform of husband and wife taxation.
- A possible amendment to the mortgage interest relief provisions so that the £30,000 limit is applied per residence and not per individual.
- An increase in personal allowances by at least the rate of inflation.
- An increase in the scale rates for taxing company car benefits possibly in excess of inflation.
- An increase in the capital gains tax annual exemption.
- An increase in the inheritance tax rate bands.
- An indication of whether the Chancellor intends any further major restructuring of capital gains tax or inheritance tax.

### Business taxation

- A reduction in the rate of advance corporation tax.
- A reduction in the small companies rate of corporation tax to keep it in line with the basic rate of income tax.
- Possibly, an extension of the tax base for employers' national insurance contributions to bring it into line with the income tax base for taxable emoluments by including benefits in kind.
- No change in the rate of VAT.
- An increase in the threshold for registering a business for VAT, probably in line with inflation.
- Possibly, a statement regarding the Government's attitude towards extending the tax base for VAT including confirmation of any items (eg children's clothing) which the Government is committed not to tax during this Parliament.
- An update on the Government's timetable for actioning the proposals of the Keith Committee on collection and enforcement by the Revenue departments and the possible extension to sole traders and partnerships of the 'pay and file' system which the Government intends to introduce for companies.

## PERSONAL TAXATION

### Income tax

#### Rates and allowances

It is the aim of this Government to reduce the basic rate of income tax to 25% and it has been calculated that the Chancellor will be able to afford the 2% reduction necessary to achieve that this year.

It is also expected that personal allowances will be increased at least by the amount of inflation and that there will be some reduction in higher rate taxation. Currently the first £17,900 of income is taxed at the basic rate of 27% but it then only requires a further £7,500 to take the taxpayer into tax at 50%. Possibly, one might anticipate that there will be some widening of the bands and the introduction of one or more additional rates between the basic rate and the 40% rate. A reduction of the top rate of 60%, possibly down to 50%, has also been predicted.

#### Reform

In 1986, the Government published a Green Paper on the reform of personal taxation. This discussed a range of options which will be opened up by the computerisation of PAYE, from the relationship between income tax and employees' NIC to the closer integration of the tax and benefits systems. In particular, it outlined a possible reform of the present system of personal allowances and set out an alternative system for the independent taxation of husband and wife with transferable allowances. Given the timetable for computerisation, none of this can be implemented until the 1990s but early decisions will be needed if major changes are to be introduced.

As regards husband and wife taxation, the financial secretary to the Treasury stated last March during the debate on the Budget Resolutions:

'Although the majority of those who responded to the Government's invitation expressed themselves in favour of transferable allowances, the Government do not yet feel that there is sufficient support to take a decision now to go ahead with so far-reaching a reform. Nevertheless, the Government considers it important both that the tax system should give women a fair deal and that the tax penalties in marriage should be removed, so we will be considering the matter further and will be exploring whether there is any satisfactory halfway house to the approach in the Green Paper.'

A further update on the Government's current thinking on this subject would seem likely.

#### Mortgage interest relief

The Government's White Paper on housing, issued in September 1987, confirmed that tax relief on mortgage interest will continue but gave no commitment regarding the nature of the relief. There has been some suggestion that higher rate taxpayers may have to help finance the cost of any tax reductions which they receive in the Budget by the withdrawal of personal allowances and other reliefs for higher rate purposes. The only significant reliefs to which this might apply are mortgage interest relief and relief for contributions to pension arrangements and the former is probably more at risk than the latter.

Another point at issue is the ceiling for loans qualifying for mortgage interest relief. This was introduced at £25,000 in 1974 and, although the legislation requires this amount to be fixed each year by a specific provision in the annual Finance Act, the only occasion on which there has been an increase was in 1983 when it was raised to £30,000. It would need to be increased to around £105,000 to index it back to its 1974 level or to £38,000 to index it back to its 1983 level, if one uses the RPI as an appropriate measure. In fact, of course, the RPI is not an appropriate measure and there are now many parts of the country where even a ceiling of £38,000 would not provide full interest relief for a 75% mortgage on even a moderately sized family house.

It has been suggested that the Government might amend the legislation so that the restriction is applied per residence rather than per individual so preventing an unmarried couple, for example, effectively doubling up on their maximum relief as compared to a married couple.

When restrictions on interest relief were introduced in 1974, there was a six year transitional period during which relief continued to be available on existing loans. Hopefully, if the Chancellor were to introduce further restrictions in this year's Budget they would be subject to a similar transitional period.

The Inland Revenue has recently tightened its procedures to prevent tax relief being obtained on 'home improvement' loans used for other purposes, which it has estimated was causing an overall tax loss of around £100 million per year. A recent report from the Committee of Public Accounts noted the measures which have been introduced but commented that it expected the Inland Revenue to extend its practice to existing home improvement loans and to prosecute false claimants in appropriate cases. This, however, would not require any further legislation.

#### **Car benefits**

The scale rates for car and petrol benefits are announced one year in advance so that the scale rates which will apply for 1989/90 should be announced on Budget Day. Between 1980/81 and 1988/89, the scale rates have increased by an amount which is well in excess of inflation. The car benefit scale rates which will apply for 1988/89 are approximately 10% higher than for 1987/88 although the car fuel scale benefits are unchanged.

It is apparent Government policy to bring these rates by stages into line with the cost of providing the car and it may be that there are still substantial increases to come through before the Government will regard that requirement as having been satisfied. In this connection it may be noted that, when he announced the 1987/88 increases in March 1986, the Chancellor said: 'This will still leave the scale charges well short of the true value of the benefit'.

#### **Annual exemption**

In recent years the annual exemption (currently £6,600 for individuals and £3,300 for trusts) has been increased in line with inflation and it is likely that the Chancellor will do so again this year.

#### **Reform**

After a number of changes in the years running up to 1985, the Chancellor announced in his Budget Statement of that year that he believed that the tax was now on 'a broadly acceptable and sustainable basis' which might suggest that further major changes are unlikely.

Nevertheless, capital gains tax still remains most people's favourite for radical reform or abolition. Apart from its extreme complexity and the disproportionate amount of influence which it has on the structuring of business transactions, the main criticisms which are levelled at it are:

- that it still taxes pre-1982 inflationary gains;
- the double taxation element which arises where gains are realised by companies and the shareholder is taxed again when he sells his shares.

There is perhaps some hope that constant lobbying will eventually lead to relief being given for inflationary gains which accrued prior to 1982 (either by full indexation of the cost or by a tapering charge with gains being exempt after an asset has been held a certain number of years).

## **Capital gains tax**

**Bed and breakfasting**

Since capital gains tax is basically a tax on realised (rather than accrued) gains and losses, the disposal of assets showing unrealised losses (to crystallise allowable losses which can be used to offset chargeable gains) has been a common and obvious form of tax planning since the tax was first introduced.

Sometimes, this can be achieved within the normal switching which a portfolio shareholder regularly carries out as part of the general management of his investments. Often, however, an investor will not wish to switch out of a particular holding solely because it is showing a potential capital gains loss and consequently the practice of bed and breakfasting has developed, ie the sale of a shareholding on one day followed by the purchase of a similar number of shares in the same company on the following day.

Due to certain amendments in the identification rules in 1982, this ceased to be possible but in 1985 it again became technically possible when further changes were made. However, in the meantime, the new approach of the courts towards tax avoidance (involving greater consideration being paid to substance as against form) had cast a shadow over a variety of standard tax planning procedures. Some comfort that this would not be applied automatically to bed and breakfasting transactions was provided by a Revenue statement in September 1985 but this also stated that it would 'remain necessary to make sure that the transactions involved are effective in (for instance) transferring beneficial ownership of the shares'.

The recent fall in share prices has focused additional attention this year on bed and breakfasting and it may be that the Inland Revenue has the matter under review. Whilst we do not consider that there is anything in bed and breakfasting which the Revenue should regard as provocative or unacceptable – after all, one is dealing with real not manufactured losses – it might be advisable, if you intend to do it, to do so before Budget Day.

**Deferred consideration**

The decision in *Marren v Ingles [1980] STC 500* relating to deferred consideration of a variable amount has given rise to practical difficulties and there have been various representations seeking clarification or amendment to the legislation. However, the Inland Revenue was unwilling to clarify these uncertainties pending the outcome of certain tax cases which are currently in the pipeline.

Apparently, two of these cases have now been heard at the Special Commissioners level and this has led to a change of practice by the Revenue in giving confirmation that rollover of gains will be available on 'paper-for-paper' transactions (eg in takeover situations, where the vendors receive shares or loan stock for their shares). It seems that the Revenue is now unwilling to give a clearance if there is a contingent element in the consideration (eg where additional shares or loan stock will be issued if certain profit levels are achieved).

**Monetary amounts**

There are several monetary figures for exemptions or reliefs which have not been raised for a few years and need to be increased by about a quarter to maintain their value:

Chattels exemption	£3,000 (fixed 1982)
Partly-let owner-occupied residential property	£20,000 (fixed 1983)
Small disposals of land	£20,000 (fixed 1983)

The retirement relief limit was increased from £100,000 to £125,000 last year and it seems unlikely that it will be raised again this year.

**Inheritance tax**

**Rates**

The incidence of this tax has been significantly circumscribed by changes in recent years but the rates are still quite harsh. The effect of raising the rate bands in line with inflation is set out on page 15. The Chancellor will probably set out his own rate bands broadly in line with these figures.

**Monetary figures**

The amounts of various monetary exemptions have not been increased for a number of years and in some cases substantial increases are needed to maintain their values:

Small gifts (total per donee per year)	£250 (fixed 1980)
Annual exemption	£3,000 (fixed 1981)
Gifts in consideration of marriage	
-parents	£5,000 (fixed 1975)
-grandparents	£2,500 (fixed 1975)
-others	£1,000 (fixed 1975)

**Investment**

The UK tax system does not provide a large number of tax shelters but there are a few of significance. If the Chancellor decides to move towards a lower tax system it is likely that these will be reviewed and some possibly may be discontinued. One which has in fact already been restricted is the ability to place substantial sums of money each year into national savings certificates which provide tax-free interest. The maximum holding for the latest issue is only £1,000 compared to £5,000 in respect of earlier issues (but it is still possible to invest a further £2,400 per year through a Yearly Plan).

**Business expansion scheme (BES)**

The BES has been subject to significant amendments in every year since its introduction in 1981 but in his Budget Speech last year the Chancellor commented that he had now put the scheme on to a permanent footing. However, whether this means that the relief will now continue for some time in an unchanged form remains to be seen.

An interesting amendment last year was the ability to carry back one half of the relief on investments in the first half of the tax year to the preceding year (provided the £40,000 limit for the preceding year has not been fully used). This appears to have had the desired effect of increasing the scope for money to be raised under the scheme during the first half of the tax year. However, it might possibly be more effective if the whole (rather than a half) of the investment in the first six months could be carried back.

If the maximum rate of income tax is substantially reduced, then some companies may find it rather more difficult to raise money under the scheme in future years.

**Personal equity plans**

PEPs have been available since 1st January 1987 and are of particular interest to taxpayers who normally use up their capital gains tax annual exemption. When introducing the scheme, the Chancellor said: 'Although the scheme will be open to everyone, it is specially designed to encourage smaller savers, and particularly those who may never previously have invested in equities in their lives'.

Whilst the scheme has merits for some taxpayers, it would seem that amendments are needed if it is to achieve its basic objectives.

**Woodlands**

Some criticism has been made in a report commissioned by the National Audit Office of the special tax benefits given for investment in woodlands but possibly the Chancellor may draw back from any further impost at the present time in view of the severe damage suffered in the South East from the October storm.

## BUSINESS TAXATION

### Corporation tax

#### Rate

The standard rate of corporation tax for the year to 31st March 1988 is 35%. The small companies rate is 27% and the upper and lower limits for marginal relief are £500,000 and £100,000 respectively. Whilst there is no statutory requirement to do so, the Chancellor said last year that he proposed to continue the practice of announcing on Budget Day the rate for the coming financial year. (Prior to 1984 the rate was set annually in arrears.)

A change in the standard rate of corporation tax for the financial year to 31st March 1989 would seem unlikely. However, if there is a reduction in the basic rate of income tax it is probable that this will be reflected in the small companies rate of corporation tax.

#### Advance corporation tax (ACT)

The rate of ACT reflects the basic rate of income tax and a reduction in the latter from 27% to, say, 25% would give rise to a decrease in the rate of ACT from 27/73rds to 25/75ths from 6th April 1988.

There is an anomaly where the ACT rate is changed during the accounting period of a company in that franked investment income received after the change of rate cannot be used to offset franked payments before the change with the result that certain companies may suffer an increased liability to ACT. At best this will mean a cash flow disadvantage and at worst, if there is no corporation tax liability against which the ACT can be offset, it will mean an actual cost to the company.

In view of the possibility of a change of rate at 6th April 1988, companies which could be disadvantaged in this way should consider whether it is possible to alter the timing of income or dividends to mitigate the effect.

#### Capital gains

The comments on page 5 regarding the possibility of reform of capital gains tax apply also to the capital gains of companies, which are subject to corporation tax. So also do the comments on bed and breakfasting and in particular the advisability of completing any such transactions before Budget Day.

#### Oil exploration

Following an announcement in last year's Finance Bill debates, the Inland Revenue has been discussing with the oil industry the possibility of introducing some form of rollover relief for gains on work programme farm-outs at the exploration stage where no cash profit is realised.

#### Reliefs and allowances

In *Elliss v BP Oil Northern Ireland Refinery Ltd [1987] STC 52*, the Court of Appeal held that the taxpayer company did not need to take the benefit of capital allowances (and by not doing so could carry forward a larger balance of qualifying expenditure) even though the legislation provided for such allowances to be given without a claim and there was no provision for making a disclaimer.

The direct effects of the decision are limited, since a right to disclaim writing-down allowances was introduced in 1984, but the decision does have wider ranging implications regarding the way in which allowances are given, possibly with the need to set up a claims procedure, and the Inland Revenue are known to have been looking into this.



### **Close companies – apportionment**

Although apportionment is no longer a problem as regards trading profits it is still relevant for investment income and there are various monetary amounts which have not been revised for some time and require substantial increases to maintain their value:

- shortfall is reduced by 10% of estate or trading income or by £1,000 (fixed 1977), if less;
- the above amount is £3,000 (fixed 1980) in the case of a trading company or member of a trading group;
- there is no apportionment if the amount of the shortfall is less than £1,000 (fixed 1972);
- there is no allocation to any shareholder where the amount is under 5% of the total and is less than £1,000 (fixed 1984).

## **Business profits**

### **Short life assets**

The code for capital allowances on short life assets allows the taxpayer to elect for specified assets to be de-pooled in which case, if the asset is sold within four years, a balancing adjustment will arise. This ensures that the taxpayer obtains full relief for the cost of the asset over its working life.

Whilst this recognises that some items of machinery and plant depreciate more rapidly than the statutory rate of capital allowances (ie 25% per annum of the written down value), it is still open to criticism in that it defers the additional relief until the year of disposal and there remains pressure to allow a higher rate of write-off.

### **Exchange gains and losses**

Following consultations, a revised statement of practice on the tax treatment of exchange gains and losses was issued in February 1987 but there remains a strong lobby for legislative change. In July 1987, a working group comprising members from nine representative bodies submitted a report containing proposals for amending the law.

### **Research and development**

Concern is often expressed at the level of expenditure on research and development in this country and it is frequently suggested that more encouragement should be given by way of tax or other incentives. However, in July 1987, the Inland Revenue and HM Treasury published an international survey which concluded that special fiscal incentives are not cost effective and the value of additional research and development they generate amounts only to about one-half of their cost to governments.

It is therefore unlikely that there will be any specific incentive in the Budget. It has even been suggested that there might be some reduction in the 100% allowance for capital expenditure on scientific research — although this would seem a retrograde step.

### **Company cars**

The limit for relief on company cars is computed by reference to a cost of £8,000 which was last fixed in 1979. The figure would need to be doubled to £16,000 to index it back to its 1979 value. The restriction applies both in relation to capital allowances and to leasing rentals but the former is of less concern because a deduction for the unrelieved cost should be available by way of a balancing allowance when the car is sold.

## **International business**

### **Section 482 (migration of companies, etc)**

In his 1986 Budget speech, the Chancellor stated that the Inland Revenue had been instructed to institute a review of the general consents and suggestions for possible amendments were invited. A number of representations has been made and the response of the Inland Revenue is awaited.

Also awaited is the outcome of the appeal to the European Court of Justice in the case of *Regina v HM Treasury ex parte Daily Mail and General Trust plc* which inter alia will indicate whether a refusal of consent for a company to migrate to another EC member state is in conflict with the Treaty of Rome.

#### **Thin capitalisation**

It is often advantageous for multinational groups to structure their investment in overseas companies by way of loan capital rather than equity; the reasons include the fact that interest paid by a company is generally deductible in arriving at taxable profits whereas dividends are not. In November 1987, the OECD published a study on 'thin capitalisation', a term used to describe the position where a company's loan capital is disproportionate to its equity base.

In the UK, the Inland Revenue is mainly interested in the matter in relation to the debt/equity structure of UK subsidiaries of foreign companies and the inspector of foreign dividends liaises closely with the International Section of Technical Division in deciding whether the benefits of tax treaties (ie reduced or nil withholding tax rates) should be granted in respect of interest paid by such subsidiaries to their overseas associates.

Following publication of the OECD study, the Government announced that the problem is giving rise to growing concern in the UK and invited comments from interested parties, to be submitted by 31st March 1988, to enable it to assess the wider economic and commercial implications when it considers the case for possible counteraction.

#### **Unitary tax**

Section 54 of the Finance Act 1985 was introduced following pressure from a group of members of parliament who were concerned about the application of unitary tax by California and other states to UK enterprises. The section, which requires an order approved by Parliament to bring it into effect, will deny tax credits under the UK/US treaty to US parent companies on dividends from UK subsidiaries if the US parent company or its associated company has a qualifying presence in a unitary state.

The Government has given an undertaking that if it decides before 1st January 1989 to bring the section into effect, it will not apply to dividends paid before the announcement of its intention to do so. If action is taken after 31st December 1988, it will not apply to dividends paid on or before 31st December 1988.

A pressure group of members of parliament has recently expressed dissatisfaction with progress towards the abolition of unitary tax in the US and has indicated that if the matter is not settled during 1988 they will use their influence to trigger the section.

#### **Mutual assistance treaty**

The OECD and the Council of Europe have agreed the text of a multilateral convention for mutual assistance in tax matters and both organisations have opened the treaty for signature by their member states. The convention requires the signatures of five countries in order to bring it into force between those countries. It is not yet known whether the UK intends to sign the convention.

#### **Other matters**

The following matters are apparently still outstanding from earlier reviews although they may now have been dropped:

- **upstream loans** (ie loans from overseas subsidiaries to UK parents): Last mentioned in December 1982 when the Government said the Inland Revenue would consult again and bring forward fresh proposals in due course.

- **importation of companies:** in December 1982 the Government announced that it intended to bring forward specific measures to deal with the loss of tax where a foreign subsidiary is made UK resident:
  - in order to group relieve its losses against UK profits; or
  - in order that accumulated profits can be paid up by way of dividend without incurring a UK tax charge (ie as group income).

## Life assurance companies

The increase in the rate of taxation on the capital gains of companies last year from 30% to 35% would, as originally drafted, have applied also to the gains which life assurance companies earn for their policyholders. However, when the second Finance Bill was introduced following the election, the Government announced that it had decided to ask the Inland Revenue to carry out a wide-ranging review of the tax arrangements for life assurance companies and their policyholders and that in the meantime the 30% rate would continue to apply to policyholders' gains. It is believed that a consultative paper would be issued before any changes are introduced and legislation is not therefore expected this year.

## Disincorporation

In July 1987 the Inland Revenue and the Department of Trade and Industry jointly published a consultative document entitled 'Disincorporation' which discusses possible changes in taxation and company law to make it easier for businesses to switch from trading as limited companies to trading as sole traders or partnerships. Comments on the paper were requested by 31st October 1987.

## Value added tax

### Rate and threshold

In 1979, the incoming Conservative Government made a major shift from direct to indirect taxation. There has been no substantial further shift since that time and it may be that the Government is broadly satisfied with the present balance. However, there is no commitment to reduce indirect taxes and the likelihood is that any changes will be towards increasing the yield.

The rate of VAT is likely to remain at 15%. It is also likely that the threshold for registration of a business (currently £21,300) will be raised in line with inflation.

### Tax base

In his 1985 Budget Statement, the Chancellor stated: 'I do not intend to make any further extensions of the VAT base during the lifetime of this Parliament.' This commitment has now of course expired and it is possible that there will be some widening of the base over the coming years.

In any event the Government may need to consider the terms of the judgment of the European Court of Justice in the zero-rating infraction case brought against the UK by the European Commission. This decision will be binding on the UK. This case is entirely separate from European Commission's new proposals for the harmonisation of the VAT and excise duty rates which cannot be adopted without unanimous agreement by the Council of Ministers.

### Input tax

New rules governing the deduction of VAT input tax came into effect on 1st April 1987. These incorporated some significant changes affecting the deductibility of input tax in partial exemption situations (ie where a business makes both taxable and exempt supplies).

A further proposal not yet brought into effect is that the recovery of input tax on capital goods by partly exempt businesses should be spread over five years. It was originally intended that this would apply from 1st April 1988 but this may now be deferred since it is expected that there will be consultation on the detailed proposals before these come into force.

### **Enforcement**

The new enforcement code introduced in 1986 continues to attract much criticism. At the time of its introduction the Government agreed that Customs and Excise would carry out a review of how the new code was working in practice and that this would be completed prior to the 1988 Finance Bill.

In connection with this review, Customs wrote to various representative bodies in July 1987 inviting comments on the system of civil penalties by 31st October 1987.

### **Retention of records**

In 1987, Peat Marwick McLintock were appointed to conduct a review under the following terms of reference:

To consider the effect on small businesses of the requirement to preserve VAT records for a maximum of six years; the records that need to be covered by the requirements; and to make recommendations consistent with Customs & Excise's needs in respect of the revenue control of the tax.

The above is part of the Government's programme of seeking ways of reducing the administrative burdens on small businesses.

### **Tax base**

The removal of the upper earnings limit for employers' contributions in October 1985 has focused attention on differences in the definitions of earnings for income tax and national insurance purposes. The income tax advantages of providing benefits instead of additional salary had been whittled away over the years by a progressive tightening of the benefits legislation but the subject has become of increased relevance because of the NIC savings resulting from certain types of benefits.

In the longer term, it is likely that there will be a move towards bringing the two definitions more closely into line. In the more immediate future we may see a number of piecemeal measures to close some of the more obvious loopholes, such as the payment of bonuses in gilts and the fragmentation of employments between different group companies.

### **P11D threshold**

The P11D threshold, which is the threshold for determining which employees are subject to the harsher regime for taxing benefits, was last fixed at £8,500 in 1979. It would now need to be doubled to around £17,000 to index it back to that level. The absence of any indexation imposes an immense burden on businesses as each year they have to make returns in respect of an ever increasing proportion of their workforce. However, the Government has indicated that it regards the relaxed regime which applies to the lower paid as an anomaly. Whilst they appear to have abandoned ideas of bringing the lower paid into line, they do not appear to be too concerned about seeing the threshold eroded by inflation.

However, in September 1987, the Government issued three press releases regarding the taxation of employee benefits (easing the position on late night journeys of employees, and entertainment of, and gifts to, employees of third parties). This may suggest that the Government is awakening to the need to consider the practical difficulties of applying the full rigour of the benefits legislation to its ultimate conclusion and may provide just a glimmer of hope that the P11D threshold may be raised.

### **Enforcement**

Although the Finance Act 1987 included provisions, intended to apply from 20th April 1988, for interest on unpaid tax to be charged on tax paid late under the PAYE and subcontractor deduction schemes where there has been a formal determination or assessment, there are no provisions for interest to be charged where such tax is paid late in other circumstances.

However, a recent report from the Committee of Public Accounts expressed disappointment at the time it is taking to implement the proposals of the Keith Committee and noted that penalties for delays in payment to the Inland Revenue of PAYE income tax which has already been collected from employees and on which employers are probably receiving interest could be introduced as a separate measure.

**Employers' national insurance contributions**

**PAYE compliance**

## OTHER MATTERS

### Anti-avoidance

#### Furniss v Dawson

The confusion created by the House of Lords decision in *Furniss v Dawson* [1984] STC 153 regarding the division between acceptable tax planning and unacceptable tax avoidance continues to give rise to uncertainty and practical difficulties. The most comprehensive guidance on the Inland Revenue view is an exchange of correspondence published by the Institute of Chartered Accountants in England and Wales as Technical Release 588 on 25th September 1985. However, the Revenue comments contained in that correspondence failed to allay concern in a number of areas and representations have been made for further clarification by ministerial statement or by legislation.

Various cases which are currently proceeding could affect the boundaries of the *Furniss v Dawson* decision. Legislation this year would seem extremely unlikely and it is probably not a matter for ministerial comment pending the determination of these cases.

#### Charities

The Finance Act 1986 introduced new anti-avoidance provisions which withdraw income tax and capital gains tax exemptions where the income of a charity is spent other than on genuine charitable purposes. The legislation was amended extensively during its passage through Parliament but it has still attracted much criticism on the grounds that bona fide charities could be caught. On the other hand, there are possibly aspects of the legislation which the Inland Revenue would like to see strengthened. There is therefore the possibility of some amendment to the legislation now that the Revenue has some practical experience of operating it.

### Recent case law

Last year's Finance Act included three instances of retrospection. In two cases major points of principle were involved since the effect of the legislation was to reverse decisions in appeal cases which were adverse to the Inland Revenue and to prevent any other taxpayers from benefiting from those decisions.

Whilst one hopes that in this respect last year's Finance Act was not setting a pattern for the future, since last year there have been several further adverse decisions which the Inland Revenue may well wish to see reversed by legislation, for example:

- *Dawson v IRC* [1987] STC 371 where it was held, contrary to the Revenue's understanding of the position, that the inclusion of just one UK-resident amongst the trustees does not give rise to a liability to UK tax on a trust's overseas income;
- *Regina v IRC, ex parte Woolwich Equitable Building Society* [1987] STC 654 where it was held that regulations made by statutory instrument went beyond the scope of the enabling legislation;
- *Bray v Best* [1987] STI 810 where certain distributions from an employees' trust to employees who had been transferred to another group company escaped taxation;

On the other hand, the Revenue will probably be content to live with the decision in *Westcott v Woolcombers* [1987] STC 600 concerning the base cost for capital gains purposes of shares in a subsidiary following an intra-group share-for-share exchange. Although the Revenue lost, the new interpretation is likely to benefit them in rather more instances than it will the taxpayer.

### Stamp duty

Stamp duty on share transfers is charged at the rate of 0.5%. As regards property (including house purchase) the threshold for stamp duty is £30,000 and, above that level, duty of 1% is payable on the total price.

The abolition of stamp duty is frequently lobbied but this would not seem likely at the present time. However, an increase of the threshold for stamp duty on property transactions may be a possibility.

## **Capital duty**

Capital duty was restructured in 1973 following the entry of the United Kingdom into the EC and is chargeable at the rate of 1%. There are views that there should be no tax on the raising of share capital but it would seem that the abolition of this duty is only likely to come as the result of an EC initiative.

## **Excise duties**

The Chancellor normally takes the opportunity to raise excise duties in line with inflation and is likely to do so this year (although, surprisingly, last year he left them mainly unchanged). This year there has been some suggestion that, in view of rising consumption, the Chancellor might increase the duty on cigarettes by substantially more than the last two years' inflation.

## INDEXATION OF RELIEFS AND RATE BANDS

A number of monetary amounts in the Taxes Acts have been indexed, ie they will be increased automatically in line with the increase in the retail prices index (RPI) unless the Finance Bill provides otherwise.

The increase in the RPI from December 1986 (99.6) to December 1987 (103.3) was 3.7%. The reliefs and amounts which are indexed are set out below together with the revised amounts which will apply for 1988/89 unless the Chancellor fixes other figures.

	£ 1987/88	£ 1988/89
<b>Income tax personal allowances</b>		
Single person	2,425	2,515
Married couple	3,795	3,945
Wife's earned income (maximum)	2,425	2,515
Age allowance (65 and over)		
Single person	2,960	3,070
Married couple	4,675	4,855
Income limit	9,800	10,200
<b>Income tax rate bands</b>		
27%	0-17,900	0-18,600
40%	17,901-20,400	18,601-21,200
45%	20,401-25,400	21,201-26,400
50%	25,401-33,300	26,401-34,600
55%	33,301-41,200	34,601-42,800
60%	over 41,200	over 42,800
<b>Capital gains tax annual exemption</b>		
Individuals	6,600	6,900
Trusts	3,300	3,450
<b>Inheritance tax rate bands</b>		
Nil	0- 90,000	0- 94,000
30%	90,001-140,000	94,001-146,000
40%	140,001-220,000	146,001-229,000
50%	220,001-330,000	229,001-343,000
60%	over 330,000	over 343,000

## FINANCE BILL 1988

The inclusion of the following measures in the 1988 Finance Bill has already been announced.

### Employee benefits

- From 6th April 1987 no taxable benefit will arise where an employee receives entertainment by reason of his employment from someone other than his employer (*IR press release, 25th September 1987*).

### Employee share schemes

- Following a review of section 79 Finance Act 1972, the following changes will apply to the rules regarding unapproved employee share schemes in respect of share acquisitions made on or after 26th October 1987:
  - (a) The 'growth in value' charge will apply only to the extent that value has actually shifted preferentially into the employee shares as a result either of lifting or varying a restriction attaching to those or other shares, or of attaching some new or enhanced right to them. Furthermore, the charge will not apply if the employees themselves hold only a minority of the shares whose value was increased by the change in question; nor will it apply in cases where, although the individual concerned still owns the shares, he has long since ceased to be an employee of the company or of another company in the same group.
  - (b) Where the employee shares are shares in a subsidiary company, then the new regime will apply only where the subsidiary is a qualifying subsidiary. Where the subsidiary is not a qualifying subsidiary, a growth in value charge on broadly the present lines will continue to apply instead of the proposed new charge described in (a) above, with the charge arising seven years after the date of acquisition or, if earlier, on disposal.
  - (c) A 'qualifying subsidiary' is a company whose trade and activities are wholly or mainly independent of other companies in the same group and where any transactions that do occur with other group companies are essentially on an arm's length basis and do not entail any significant transfer of value to the subsidiary company. The directors of the ultimate parent company will be required to certify that these conditions are satisfied and this certificate must be supported by a report from the auditors of the subsidiary (*IR press release, 26th October 1987*).
- No taxable benefit will arise where an employee or director receives a priority allocation in a public offer of shares made on or after 23rd September 1987 wholly or partly at a fixed price, provided that:
  - (a) the priority allocation of shares to directors and employees does not exceed 10% of the total shares allotted at the fixed price in the share offer; and
  - (b) all of the directors and employees concerned are offered priority on similar terms and the offer is not confined wholly or mainly to directors of companies in the group or to those employees in companies in the group who are in receipt of the higher or highest levels of remuneration (*IR press releases, 23rd September 1987 and 18th November 1987*).
- Where a participant in an approved share option scheme takes out a loan to fund the exercise of his options, the shares will not be regarded as restricted shares solely by virtue of any arrangement by which they are pledged as security for a loan, or by which they are to be disposed of in repayment of a loan. This change will have effect from the start of the scheme in 1984 (*IR press release, 19th October 1987*).





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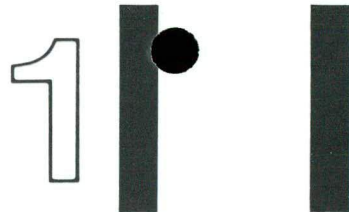
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## Pension arrangements

- The starting date for personal pensions having been deferred from 4th January 1988 to 1st July 1988, the Bill will contain amending legislation to allow new retirement annuity contracts to continue to be taken out up to that date (*IR press release, 26th August 1987*).

## Capital gains

- For disposals after 3rd July 1987, indexation relief will not give rise to an allowable loss for capital gains tax purposes on the disposal of shares (ie the withdrawal of funds from a share account) in a building society or an industrial provident society (*IR press release, 3rd July 1987*).
- For disposals or acquisitions after 27th July 1987 of satellites or spacecraft (or an interest therein), capital gains rollover relief will be available subject to the normal conditions (*IR press release, 27th July 1987*).
- For disposals or acquisitions after 29th October 1987 of milk or potato quotas, capital gains rollover relief will be available subject to the normal conditions (*IR press release, 29th October 1987*).
- For disposals on or after 18th January 1988, a disposal of shares held in a personal equity plan which is kept in being for the minimum qualifying period cannot give rise to an allowable loss for capital gains tax purposes. Where losses have arisen on switching investments within a plan before 18th January 1988 these can be claimed as allowable losses even though gains are exempt (*IR press release, 18th January 1988*).

## Appeal hearings

- The Finance Bill may include amendments to enable certain appeal and other proceedings to be dealt with by a different body of general commissioners where this is acceptable to the taxpayer. For example, where a group of companies in different parts of the country is now dealt with by a single tax office, the proposed change would make it possible for all the group's appeals to be heard in one place (*IR press release and consultative document, 5th November 1987*).

## Stamp duty

- In the case of units offered for sale to the public by Eurotunnel PLC, the unit (comprising one share in Eurotunnel PLC and one share in Eurotunnel SA) will be the chargeable security for stamp duty and stamp duty reserve tax purposes. The initial charge to bearer instrument duty will not apply to the issue of units and warrants to acquire units abroad. If other companies wish to adopt the same arrangements in the same circumstances, then the same treatment will apply (*IR press release, 5th November 1987*).

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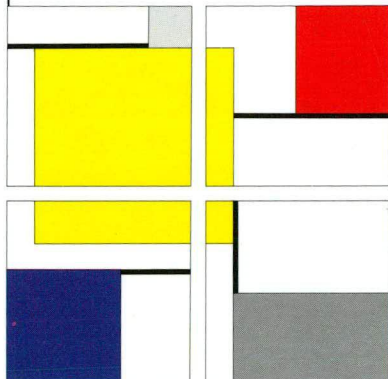
**EXECUTIVE SUMMARY**

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If you are concerned that any of the potential changes discussed in this publication will affect you, or wish for further information, please contact your nearest Peat Marwick McLintock office or the partner you normally deal with.



*Tony D. P.*

FROM: P J CROPPER  
DATE: 22 February 1988

CHANCELLOR

*MMS.*

cc Chief Secretary  
Financial Secretary  
Paymaster General  
Economic Secretary  
Mr Tyrie  
Mr Call

CHILD POVERTY ACTION GROUP

My regular acceptance of Wednesday breakfast at Party Conferences obliges me to circulate the CPAG budget submission.



P J CROPPER

Peter Cropper  
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# CHILD POVERTY ACTION GROUP

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Telephone: 01-253 3406

16 February 1988

Dear Peter Cropper

I enclose a copy of 'Chance for a Change : the 1988 Budget and Beyond', CPAG's preBudget Message.

It makes the case for changes in tax and benefits, to provide more help for families with children; move towards a fairer and more rational structure of taxation; and treat husbands and wives as genuinely equal and independent.

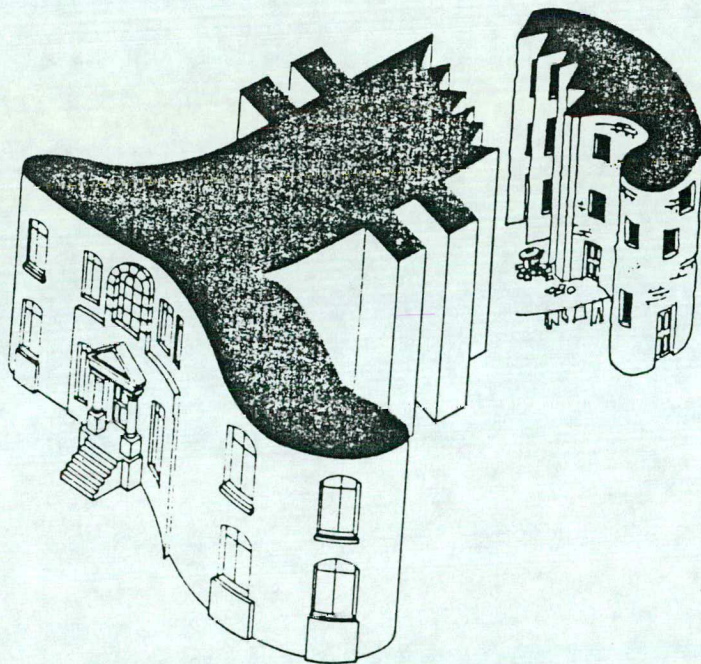
I hope that you find it useful.

Yours sincerely  
Fran Bennett

Fran Bennett  
Director

# CHILD POVERTY ACTION GROUP

## CHANCE FOR A CHANGE: THE 1988 BUDGET AND BEYOND





**CHANCE FOR A CHANGE : THE 1988 BUDGET AND BEYOND**

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CPAG would like to thank John Hills and especially Jo Roll for their help and hard work. Fran Bennett, Carey Oppenheim and Peter Townsend also contributed, and Sue Lind typed the resulting manuscript

## CHANCE FOR A CHANGE : THE 1988 BUDGET AND BEYOND

### INTRODUCTION AND SUMMARY : THE PROPER PRIORITIES

- 1 The 1988 Budget gives the Chancellor a unique chance for change. Press comment suggests that the resources at his disposal this year will be substantial - between £2 billion and £11 billion. But public opinion polls suggest that the Government's priority for using these resources - reductions in taxation - is not the public's priority. There are more pressing demands on these additional funds, including public services such as the NHS and the education system, and the needs of the poorest on state benefits.
2. This Budget also provides an unique opportunity to make progress on several aims of fundamental importance to the future of the tax and benefits system in this country. Instead of concentrating on arguments about the basic and higher rates of tax in an unchanged tax system, the Chancellor could seize the chance to take the first steps towards a fairer tax and benefits structure.
3. First, he could provide more help for families with children. At the least, this would mean increasing child benefit annually at least in line with prices (in the same way as tax allowances) - and restoring the cut in its real value imposed in November 1985, as well as the real cut resulting from freezing child benefit from April this year. In the longer term, child benefit should be improved in real terms; and its structure should be examined to see whether additional steps could be taken to compensate families, and especially mothers, for the loss of income which usually accompanies the birth and bringing up of children.
4. Secondly, the Chancellor could shift resources from the rich to the poor. The better-off have already benefited disproportionately from both changes in taxation and economic changes since 1979. The gap between rich and poor is widening to a gulf in a Britain which is now becoming damagingly divided. There is no case for further tax cuts which benefit the better off most, such as the rumoured abolition of several of the higher rate bands and/or a cut in the basic rate of tax. Instead, the Chancellor could take this opportunity to put in place the first building blocks towards a fairer structure of taxation in this country. In the short term, this would mean scaling down the 'other' welfare state of tax reliefs for specific items of spending which under the current tax system are inevitably of greater benefit to the better-off and conflict with the Government's own aim of leaving people free to spend their money in the way they choose. A start could also be made now on the longer-term aims of broadening the tax base; introducing a more rational and progressive structure of tax rates; and raising more revenue from capital and wealth taxation.
5. Thirdly, husbands and wives should be treated as equal and independent within the tax system. The Chancellor has

already indicated that he wishes to reform the tax treatment of married couples. But the Government's preferred option, of transferable (or partially transferable) tax allowances to replace the married man's tax allowance would not constitute genuinely independent taxation, and would represent an indiscriminate waste of resources. CPAG would favour the phasing out of the married man's allowance and its replacement by a system of equal nontransferable allowances for all, together with improvements in those cash benefits paid directly to people with caring responsibilities.

6. Unfortunately, the Government seems to have set its sights on reducing both 'taxation' and 'public spending', within the narrow definitions accorded to each of these by public accounting conventions, which treat tax allowances and reliefs differently from cash benefits. This narrowness of vision obscures the legitimate arguments which should be taking place now, in each of the three areas mentioned above, about how we wish to transfer resources between different groups in the population, and how much should be transferred to each group.
7. Our priorities are set out above. They are shared by many across the political spectrum. We hope that we can help to persuade the Government that these should be its proper priorities too. In addition, we hope that the points outlined here will help to inform the debate currently going on within the Opposition parties about the principles and policies which should underlie a fairer tax and benefits system in the future.

## 1. PROVIDING MORE HELP FOR FAMILIES WITH CHILDREN

### a) Why child benefit should be considered at Budget time

A long-standing principle of the income tax system is that taxes should be related to 'ability to pay'. Not only has this been viewed as a sensible revenue-raising policy; it has also been a question of fairness.

When income tax was introduced to pay for the Napoleonic wars, it was only the better off who were taxed; and since 1909 the better off among taxpayers have paid a higher proportion of their income in tax.(1) William Pitt, the prime minister responsible for introducing the tax, made it clear that children should also be taken into account when assessing 'ability to pay'. He said:

"Let us make relief in cases where there are a number of children a matter of right and a matter of honour".(quoted by Norman Fowler MP during a debate on the Bill which introduced child benefit)(2)

Child tax allowances were a basic feature of the income tax system from 1909 until the 1970s, when they were replaced, with all-party support, by child benefit. After a phasing-in period, child benefit was fully introduced in April 1979, combining the functions of the old child tax allowance and the family allowance (which had been introduced after World War II).

Although it differs from child tax allowances in certain important respects, child benefit has become the only means by which the 'ability to pay' of families with children is now recognised. In this respect it is similar to tax allowances and should therefore be reviewed at the same time as they are.

### b) Setting the record straight : families with children fall behind

By April 1987, the real value of the married man's tax allowance (MMA) had risen by about 20% since the current Prime Minister first took office; and, if it is 'indexed' (that is, increased in line with prices), it will remain at that higher real value in April 1988. The real value of child benefit, on the other hand, will have fallen by about 8% in real terms by April 1988.

By then, the rise in earnings is likely to have outstripped even the rise in the married man's tax allowance (assuming that the latter is no more than 'indexed'). So the relative value of child benefit will have fallen substantially - to only about two-thirds of the amount it would be if it had kept pace with earnings over the same period.

The comparison can be made very simply. In April 1988 child benefit will be frozen at its current level of £7.25 per week per child. This figure compares with the following figures, produced by calculating what it would be if it had kept pace with a number of other changes since the present Prime Minister first took office:

Child benefit per week per child - if it had kept pace with:

Prices	£7.80
Earnings	£9.55
Real increase in MMA	£9.35 (3)

At a minimum, child benefit should be uprated in line with prices annually, as proposed in the new clause to the Social Security Bill 1987 put down by Sir Brandon Rhys Williams MP. This caused 16 Conservative MPs to vote against the Government and between 20 and 30 to abstain, according to newspaper reports.(4) The first opportunity should be taken to make good the cut imposed in November 1985 and the cut in value represented by the freezing of child benefit from April this year.

However, the case for maintaining the value of child benefit - and indeed improving it - does not merely rest on the fact that it has fallen behind the recent rise in prices, earnings and tax allowances.

c) Helping the poor by helping all children

Helping the poor was a major reason for replacing child tax allowances with child benefit, as Barbara Castle, the minister responsible at the time, made clear. Opening the debate on the Child Benefit Bill, she said:

"What will the child benefit scheme achieve? First and most important, the poor families who have not been able to take advantage of child tax allowances in full, if at all, because of their low incomes will in future do so...".(5)

In reply, Norman Fowler made it clear that the Labour Government's objectives were also shared by the Conservative Opposition.(6)

This was not the only advantage of child benefit over child tax allowances. Child tax allowances were also worth more to the better-off who were paying tax at the higher rates. For example, today they would be worth more than twice as much to someone paying tax at the top rate of 60% than to someone paying tax at the basic rate of 27%. That anomaly was removed, by agreement between the two major political parties, with the introduction of child benefit - which is the same amount for everybody, including those who do not pay tax.

It has recently been suggested that child benefit is also worth more to higher rate taxpayers. This is a misunderstanding which arises from viewing child benefit as if it were a tax-free fringe benefit paid by an employer and the alternative was taxable earnings. In that case, an employer would have to pay £18.13 to people paying the top rate of tax and £9.93 to someone on the standard rate in order for them each to be left with £7.25 after tax. But child benefit is different. It is paid out of public funds in recognition of the cost of children. The DHSS pays out exactly £7.25 weekly for each child in all cases and everyone ends up with exactly £7.25 in their pocket. In fact, paying it

in this way at a flat rate means that it is a smaller proportion of higher incomes.

Child benefit is currently the subject of an internal Government review. It is said that the options under discussion include the possibility of either taxing or meanstesting child benefit, in order to limit or extinguish the help it gives to the better off. In practice, if such a change were to be introduced, it is likely that the arguments about the relative 'ability to pay' of families with children compared with the single and childless would revive the demand for some form of child tax allowance - and we would then be back to square one.(7)

There are of course many other practical arguments against the further extension of meanstesting in our benefits system. But some would also say that there is an argument of principle and logic against the taxing of child benefit. Some social security benefits are taxable - which does reduce their value to the better-off. But there is a case for arguing that only those benefits designed to replace earnings, such as pensions or unemployment benefit, should be treated in this way. Those benefits which recognise extra costs - such as those due to the birth of a baby, raising children or suffering certain disabilities - could be seen as payments for additional costs which have to be met by anyone in the relevant situation; this can then be seen as a separate question from the other income they possess.\*

If there is concern about the income levels of the better off, then they could be taxed more heavily (see below). There is no reason in principle to withdraw more income only from those better off people who have children. Indeed, the present Chancellor recognised this over two decades ago, when - commenting on a similar proposal from the Labour Government - he said:

'The motive... is a wholly admirable one: the desire to do something to help the really poor..... But there is no justification whatever for choosing to make taxpaying families with young children - rather than taxpayers in general - finance any help of this kind.'(8)

-----  
\* The present separation of taxes and child benefit also has practical advantages. The Inland Revenue only has to make calculations about people's income and the DHSS only has to know about the number of children. This has brought about savings in administrative costs and has simplified the tax and benefit calculations. The tax system could be made even simpler if providing for needs and responsibilities were left to the benefits system and if the taxation of husband and wife were completely independent.

A second argument, used on several occasions recently by Ministers to support the freeze of child benefit from April this year(9) (and used by some people, it appears, to support a more drastic limitation of child benefit), is that the poor do not necessarily benefit from any increases in child benefit at present. In particular, those who receive meanstested supplementary benefit (SB) - income support from April 1988 - have their SB income reduced by exactly the same amount as the child benefit they receive. Under the Government's chosen formula for calculating the child credit rates in the new family credit scheme (replacing family income supplement for lowpaid families from April), the same will be true for family credit claimants.

However, although the total income of people receiving SB/income support is not affected by receiving child benefit - and the same will be true for those on family credit - CPAG's research has shown that child benefit is still valued because it is a reliable source of income, particularly when entitlement to meanstested benefits may be uncertain, and payments may for various reasons be suspended, delayed or interrupted. It is also valued by many women in families on SB because, in many couples, it is the man who receives SB and the woman who receives child benefit.(10)

More fundamentally, it is largely as a result of successive governments' policies that meanstested benefits have now come to play such a large part in our social security system, and have therefore caused the problem described above to be extended to such a large number of families. This need not be the case.

In the Beveridge plan which provided the foundation for our present system, meanstested benefits were allocated a tiny, residual role in the scheme of earnings replacement and compensation.(11) CPAG has argued elsewhere (12) that future reforms could and should embody the Beveridge principle that universal, non-meanstested benefits provide the mainstay of the social security system.

The familiar problems of meanstested benefits, such as low take-up and work disincentives, are not listed again here. However, it is important to note that child benefit - unlike either SB or family income supplement - has virtually 100% take-up and, instead of creating a 'poverty trap' like the meanstested benefits do, provides an income floor (albeit at a low level at present) on which people can build by their own efforts.

Moreover, increases in child benefit can be used to 'float' some of the poor, whether in or out of work, off dependence on meanstested benefits. Even now, recipients of some non-meanstested benefits, such as invalidity benefit, receive a combination of child benefit and child allowance which is as high as the SB rate for younger children, and therefore often do not have to claim SB. These benefits could provide a model for the future.

In the long run, CPAG would like to see child benefit rise to a level which would generally do away with the need for other children's allowances in the benefits system. As well as providing a more realistic level of child support, the realisation of this goal would have other advantages. The same

level of benefit for children would be provided whether their parents were in or out of work. This would in turn mean a simplification of the social security system and a reduction in the numbers dependent on means-tested benefits.

#### d) Helping the carers

Another major reason for the switch from child tax allowances to child benefit was that child benefit would generally be paid to the mother in a couple - instead of to the father, as child tax allowances were. This aspect of the change also attracted all-party support.(13)

The argument for paying child benefit to mothers is that it is a benefit designed to recognise the costs of bringing up children; and in most couples, these are still most likely to be met by the woman who, even today, usually has the major responsibility for the day-to-day care of the children and the expenditure on their food, clothes, etc. Those people who argue that women no longer 'need' child benefit, because the care of children is now shared equally between parents, are, therefore, not supported by the facts. The annual survey of British Social Attitudes recently found that three-quarters of married women with children are mainly responsible for the general care of the children in the household.(14)

Some people also argue that women do not 'need' the independent income they receive from child benefit because their employment and earnings opportunities are now equivalent to those of men. But, again, this assertion is not borne out by the facts. In spite of the huge increase in married women's employment over the past few decades, most women still give up paid work for a time in order to care for their children - and they usually return to paid work only part-time, at least until their children are 16. The Women and Employment Survey carried out for the Department of Employment showed this clearly.(15)

The latest figures show that about 1 in 3 women with a child under 5 are 'economically active' (that is, in a job or actively looking for one) - compared with about 2 in 3 whose youngest child is aged 5-10, and about three-quarters of those whose youngest is 10 or over. Three-quarters of women without children are also 'economically active'; but there is one major difference. Most of those with children are working part-time; most of those without are working full-time.(16)



This does not mean that child benefit 'belongs' to the mother. Sir John Walley, one of the architects of child benefit, recently wrote to The Independent: "It should be seen as belonging to the child and, in the normal case, be accepted by both parents in joint trust for the child."(17) CPAG would agree that child benefit should be seen as belonging to the child; but, in practice, someone has to receive the money and there are strong reasons why, given the current division of labour between men and women, it should usually go to the woman.\*

Compensation to the woman for the loss of her earnings is important; but it is a separate issue. The result of a woman's departure from employment at the time of giving birth is twofold. It means not only that the total family income is lower when she has a child than if she did not, but also that her own long-term earning and pension prospects are affected.(18)

In our view, both are causes for concern - but the solution to each is not necessarily the same. Concern about the former could lead to policies which simply compensate the family for the woman's lost earnings, whereas concern about the latter would lead to policies which encourage women back into employment.

One possible solution which would incorporate both options might be a 'child care benefit' paid with child benefit for those with a child under 5 years old. This would mean that women who returned to employment would be helped to pay for child care and that those out of the labour force would receive some recognition of the child care that they perform themselves.

But this would be only a partial solution. A more comprehensive solution would require a wider range of policies, including in particular the provision of good quality child care facilities for all who required them. Tax relief for child care expenses - sometimes proposed as a solution - would have all the disadvantages of tax reliefs and allowances that we outline below and would therefore be a step in the wrong direction.

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\* Existing arrangements for paying child benefit are in fact subtly crafted. Although the mother has 'priority', it is possible in normal circumstances for either parent to receive it and the law lays down a whole order of 'priority' claimants which takes account of different family situations. The mother as the 'priority' claimant does have the right to prevent the father from claiming (eg., if he is the proverbial drunk who claims the benefit in order to spend it in the pub) and in that sense it is, rightly in our view, a benefit which is primarily paid to the woman.

## 2. SHIFTING RESOURCES FROM RICH TO POOR

### a) Setting the record straight : gains for the rich

The value of income tax cuts since 1979 amounts to about £12 billion (19) - nearly as much as the total due to be spent on supplementary benefit (SB) and family benefits this year. (20)

One third of this £12 billion went to the top 5% of taxpayers and the lion's share - that is, four-fifths of it - went to the richer half of taxpayers. The average reduction per taxpayer is worth a little over £10 a week but the amounts vary enormously according to income level, as the table below shows. (21)

#### Average income tax reduction per week due to Government policies (1978/79 to 1987/88)

	£
Top 1%	173
Top 2 - 5%	39
Top 6 - 10%	23
Bottom 50%	4

The average weekly gain of the top 1% is worth nearly three times the current weekly income of a pensioner couple living on SB and nearly twice as much as the total weekly income of an unemployed couple with two young children living on SB.

A number of measures have contributed to this result. The main ones have been:

- \* increase in personal allowances
- \* abolition of the reduced rate band of 25 pence (tax increase)
- \* decrease in the basic rate of 6 pence (from 33 to 27)
- \* increase in basic rate limit of £1200
- \* changes in higher rate thresholds up to 60%
- \* abolition of investment income surcharge

Changes to the higher rates and thresholds made the largest contributions to the gains of the top 1% (accounting for about 60% of the £173 weekly gain), then the abolition of the investment income surcharge (about 15%) and the decrease of 6 pence in the basic rate (about 14%).

The benefit of the basic rate change has been greater for those on higher incomes, because they have more income to be taxed at the basic rate (although once they have income over the higher rate threshold the amount does not change). For the top 5%, for

example, the decrease in the basic rate of 6 pence was almost as beneficial as the changes to the higher rates and thresholds (each accounting for about one third of the £39 a week change).(22)

Changes in income tax need to be seen in relation to changes in national insurance contributions, which have been increased from 6.5% to 9% over the same period (although new reduced rates of 5% and 7% have been introduced at the very lowest end of the scale, which in April 1988 will apply to earnings between £41 and £70 and between £70 and £105 per week respectively). The existence of a ceiling on the amount of income on which contributions are paid (£305 a week from April 1988 - roughly 25% above what average earnings are likely to be) means that those with earnings above this level pay a lower proportion of their income in national insurance contributions than most of those with incomes below it. And they pay a progressively lower proportion of their earnings the higher above the ceiling their earnings are.

The switch of emphasis from income tax to national insurance contributions as a way of raising revenue has therefore benefited those with the highest earnings. It has also benefited those with income from investments, as contributions are not payable on investment income.

The proportion of earnings paid in income tax and national insurance contributions by a single earner married couple with two children has changed as shown in the table below. What it means is that the couple on 50% of average earnings is now paying nearly £4 a week more, whereas the couple on 500% of average earnings is paying £65 a week less.(23)

**Single earner married couple with two children**

**Income tax and NI contributions as % earnings**

Earnings % average	1978/79 %	1987/88 %	changes as % income
50	2.5	5.9	+ 3.4
75	14.6	15.9	+ 1.3
100	20.9	21.0	+ 0.1
150	26.2	24.8	- 1.4
200	27.9	26.4	- 1.5
500%	48.8	43.1	- 5.7

**b) No case for tax cuts to benefit the rich**

Less than one twentieth of the population want tax cuts at the cost of cuts in welfare spending. This suggests, to say the least, that the general public does not share the Government's view that reductions in taxation are an over-riding priority at the moment. Indeed, in recent years, the proportion willing to pay increased taxes in order to provide improved welfare services

has grown substantially: over the period covered by the British Social Attitudes Surveys (1983 to 1986), the proportion has grown from a third of the population to nearly a half.(24)

We are not suggesting that the overall tax burden needs to rise. But, as there does not appear to be any strong desire for generalised tax cuts, we would urge the government to 'target' any funds it has to spare on the poorest who have gained least from the tax changes made since 1979.

These tax changes have reinforced the widening of inequalities which has resulted from the economic changes of recent years. For example, since April 1979, unemployment has risen by at least one and a half million, according to the official statistics; and the earnings gap has widened (as the table below shows).(25)

Highest and lowest decile as % median earnings

	<u>Males</u>		<u>Females</u>	
	1979	1987	1979	1987
		%		%
Highest decile	157	176	159	172
Lowest decile	66	59	69	64

Newspaper speculation about the contents of the Budget has suggested that some of the higher tax rates might be abolished. Another widely rumoured change is a cut in the basic rate of tax from 27 to 25 pence (or even 20 pence). Neither would, in our view, be justified, as they would each help higher earners more than lower earners, just as previous changes have done.

Increases in the personal tax allowances would be of more help to the poorest taxpayers than cuts in the basic rate. But, for reasons already mentioned, they would also benefit most the very highest earners paying tax at the higher rates. We would therefore hope that any increases in personal allowances (other than indexation) would be combined with other reforms to make the structure of taxation fairer.

International comparisons do not suggest that our top rate of tax is particularly high. A comparison of eight countries (Denmark, France, Germany, Italy, Japan, the Netherlands, the UK and the USA) shows that only the USA and Germany have top rates lower than ours (45% and 61% respectively). Our starting rate is not particularly high either. The average for all eight countries is 31%, compared with 32% in the UK (that is, including national insurance contributions).(26)

Evidence about the incentive effect of tax cuts (ie, whether paying less tax encourages people to work harder) also provides little support for the tax cutters' case. One review of the evidence described this as an area where "it is hard to disentangle rhetoric from evidence" and concluded that much still remains to be done before firm conclusions can be drawn.(27) One of the most recent studies, carried out in 1980 and commissioned by the Treasury, found that tax cuts had little effect on work incentives because so many people (about three-

quarters of those interviewed) were not free to vary their hours of work.(28)

The worst disincentives are at the bottom of the income scale, where the combination of taxes and the withdrawal of meanstested benefits as earnings rise can produce higher effective tax rates on each extra £ earned than the 60% tax rate at the top of the income scale.

The new structure of social security benefits due to come into effect in April will make matters worse. It will no longer be possible for someone to end up worse off after earning extra money; but this problem was always confined to a very small number of people in theory, and an even smaller number in practice. However, under the new benefits system from April the numbers at the bottom of the income scale facing an effective 'marginal tax rate' of over 70% will roughly double, from 275,000 to 545,000.(29)

Our objection to this 'poverty trap' is not just that it might create disincentives. It is also extremely unfair, in a system that aims to encourage self-reliance, to create a structure of taxes and benefits which make it virtually impossible for some of the poorest to earn more.

Another consequence of the new structure is that tax cuts will no longer be effective in lifting people out of the 'poverty trap'. Although tax cuts will help some people right at the top of the income range affected by the trap (that is, those who are just on the borderline of entitlement to meanstested benefits) by raising their income clear of the entitlement ceiling, tax cuts will never help those deep in the 'poverty trap'. They would still face effective marginal rates of over 90% even if they were not taxed at all.

Tax cuts will also leave these low earners very little better off. Like the new variant of the 'poverty trap', this is because family credit and housing benefit will in future be based on net income, which means that if income goes up because of tax cuts, recipients of both these benefits will lose a high proportion of their benefit.

The table below illustrates these points by showing that, for people receiving these benefits, there is very little difference in the marginal tax rate of someone above or below the tax threshold and that a two pence cut in the standard rate of tax makes very little difference either.

## Recipients of family credit and housing benefit

	Above tax threshold		Below tax threshold
	27% rate pence	25% rate	pence
£ increase			
in income	100.00	100.00	100
minus tax	27.00	25.00	0
minus NI (7%)	7.00	7.00	7
equals	66.00	68.00	93
minus 70% FC	46.20	47.60	65.1
equals	19.80	20.40	27.9
minus 85% HB	16.83	17.34	23.72
<b>money left</b>	2.97	3.06	4.18
<b>marginal tax rate</b>	97.03	96.94	95.82

**Note:** this assumes a tax allowance of £76 a week (the 1987/88 rate indexed for 1988/89 - as shown in the Autumn Statement). The NI rate used here is 7%. Some above the tax threshold pay 9% and some below pay 5%. Except at the crossover point, this makes little difference to the end result. The above table assumes a single earner family.

**Income tax cuts are therefore of little benefit to the poorest earners claiming meanstested benefits. They have little effect on the 'poverty trap' and little effect on poverty.**

**This does not mean that we would oppose income tax cuts in all situations or in all forms. Our long-run objective for income tax is the creation of a much more progressive system. This could involve, for example, restricting tax allowances to the basic rate of tax; the phasing out of tax reliefs for specific items; a much more graduated structure of tax rates; and the integration of income tax with national insurance contributions.**

### c) First steps towards a tax structure to help the poor

In the short term there are a number of simple measures which could be taken as first steps towards a fairer tax structure. In particular, scaling down 'the other welfare state' of tax reliefs would release resources which could then be shared out more fairly. It would also fit with the Government's own aim of leaving people free to spend their money as they choose; at present, tax reliefs for specific items of expenditure give coded guidance from the Government about preferred patterns of spending which are subsidised by other taxpayers.

Tax reliefs on pension funds and contributions, mortgage interest, company cars, etc, are now so significant that for a married man earning £30,000 a year they could easily outweigh the value of the social security payments made to an unemployed couple with two children under 11. The table below shows how.

'Welfare' for the rich and welfare for the poor

	Single earner married couple on £30,000 p.a.  £/week	Unemployed couple with 2 children aged 4 and 6  £/week
MMA at 50%(a)	16.79	SB:couple 49.35
MITR + pension(b)	<del>73.54</del> 71.89	2 children 20.80
Company car(d)	9.23	housing costs(c) 27.75
NI personal pension subsidy (e)	5.50	school meals(c) 2.33
		welfare milk(c) 1.75
TOTAL	<del>105.06</del> 103.41	TOTAL 101.98

Notes:

- (a) difference between the Married Man's Tax Allowance at 50% (applicable to £30,000) and at 27% basic rate;
- (b) assuming MMA already set against income, £281.25 allowable interest on mortgage, maximum contribution to personal pension for a full year, calculated from HC Hansard, 1/5/87, cols.293-4W;
- (c) as in DHSS Tax Benefit Model Tables, November 1987;
- (d) IFS figure - see text;
- (e) for a full year; source as (b)

The tax reliefs for the married man on £30,000 a year are worth £105 a week as compared with the £102 worth of benefits received by the unemployed couple with two young children. The pension contribution and mortgage interest are above average for that income level - but they are quite possible; and the table excludes other reliefs, such as the Business Expansion Scheme and relief on dividends invested in a Personal Equity Plan, which could add substantially to the total.

Dealing with 'the other welfare state' would be among the first steps towards a fairer tax system listed below. The figures refer to each item individually; it is not possible to add them directly to reach a grand total, because abolishing one allowance could affect the value of abolishing another:

- \* **Abolish the married man's tax allowance**, so that married men receive the same as a single person (see next section). This would have released £4.6 billion in 1987/88 (or £3.9 billion if those over 65 are excluded). (30)
- \* **Remove the national insurance contribution ceiling** which benefits those on incomes over £295 a week (£305 in 1988/89). This would release well over £1 billion. (31)  
The ceiling on employers' NI contributions has already been

abolished. Many commentators have recently suggested abolishing the employees' contributions ceiling as part of a package of tax reforms. But we believe that abolition of the NIC ceiling should be seen as a valid measure in its own right, rather than as a 'trade-off' for abolition of one or more of the higher tax rates.

- \* **Restrict other tax reliefs to the standard rate of tax only.** This would have released about £750 million in 1987/88.(32) This could be the first step towards phasing out tax reliefs which generally benefit the better off most. Mortgage interest tax relief, for example, costs about £4.75 billion a year and the average value of the relief rises with income, from £370 a year for those with income under £4,000 to £1,170 for those on incomes over £30,000 a year.(33) Similarly, the average value of relief on employees' pension contributions rises from £60 a year for those on incomes up to £5,000 a year to £6,400 for someone on over £100,000.(34)
- \* **Tax fringe benefits at their full value.** The main benefits which are not taxed at full value are company cars for private use and loans and accommodation provided by an employer.(35) The estimated value of the effective relief on company cars is £1.1 billion.(36) As the taxable value of fringe benefits rises with income (37), their non-taxable value is likely to do so too.
- \* **Restrict personal tax allowances to the standard rate of tax only.** This would have released £810 million in 1987/88 and would release nearly £1 billion in 1988/89 (assuming allowances are indexed but no other change).(38)
- \* **Raise more revenue from capital and wealth.** Capital taxes now raise less than 3% of total revenue - less than in nearly all other prosperous industrial countries. Capital taxes raised at least twice that proportion during most of the period after World War II up until the 1970s and before the War raised higher proportions still.(39) It has been estimated, for example, that just a 1% tax on all wealth over £200,000 (the top 1% of wealth holdings in 1986) would have raised about £500 million in 1986.(40)

**All the above first steps, whilst not an exhaustive list, would represent significant moves towards the longer-term objectives of broadening the tax base; introducing a more rational and progressive structure of tax rates; and raising more revenue from capital and wealth taxation.**



### 3. TREATING HUSBANDS AND WIVES AS EQUAL AND INDEPENDENT

#### a) Reforming the existing system

The problems with the present system of taxation of married couples are encapsulated in the now famous Section 37 of the Income and Corporation Taxes Act 1970 which consolidated a great deal of longstanding legislation:

"A woman's income chargeable to tax shall be deemed for income tax purposes to be (her husband's) income and not to be her own income."

There is widespread agreement from different parts of the political spectrum that the existing system is unfair to women and unsuited to the modern age. For example, among its objectives for tax reform the Government has included giving "married women the same opportunity for privacy and independence in tax matters as their husbands".(41) Both the Labour and Alliance parties made proposals for moving towards a more equal system during the 1987 election campaign. And Conservative MP Marion Roe has recently argued that:

"In matters such as privacy, tax allowances and reliefs, women are treated differently from men to their disadvantage. Such arrangements undoubtedly no longer reflect the true relationship between the sexes in our society."(42)

Although the principle of treating a woman's income as belonging to her husband has been the focus of much of the criticism, the problem has been compounded by the specific way in which this principle has been applied. In particular, the married man's tax allowance (MMA) has been the subject of much debate due to the fact that it is 1.6 times the single person's allowance. Also, as the quotes about privacy illustrate, there is opposition to the 'aggregation' of husbands' and wives' incomes (as treating their incomes as joint income is inelegantly called), and not just to the fact that it is treated as the man's.

It should be remembered that the history of this Government's proposals for reform dates back to 1980, when the first Green Paper on the subject was published.(43) This concluded with a list of questions rather than firm policy proposals. But an analysis of the evidence submitted to the Government in response to the Green Paper found a majority in favour of independent taxation, equal allowances for husbands and wives through abolition of the MMA and an increase in child benefit.(44)

In response to a Memorandum from the European Commission to the Council of Ministers on income taxation and the equal treatment of men and women, the EC Select Committee of the House of Lords conducted its own inquiry. Its report concluded that "the aim of equal treatment is best served by a system of fully independent taxation".(45)

Unfortunately - in part, we suspect, because the Government's twin aims of reducing taxation and spending on benefits take precedence over other considerations - the second Green Paper, published in 1986 (46), was more obviously in favour of

transferable allowances. This policy option differed substantially from the majority response to the first Green Paper. According to the Government, the number of people who responded to the 1986 Green Paper was too low for it to feel confident that this was the right action to take and it would therefore explore some halfway house.(47) Transferable allowances were not mentioned in the 1987 Conservative Party election manifesto.

We have argued the case for separate tax treatment of husbands and wives on several occasions.(48) That argument will not be reproduced in detail here. However, since recent press reports suggest that the idea of transferable or partially transferable allowances has been revived, the main points of our case are set out below.

**b) The disadvantages of transferable allowances**

**\* Transferable allowances do not achieve independence and privacy**

One of the main objections to transferable allowances is that they would not in fact achieve the independence so widely desired for husbands and wives. In all cases where a transfer is made, the tax affairs of husband and wife would be interdependent.

It is likely that for about 60% of couples, particularly the less well off, the objective of independence would not be attained.(49) This is not only because some wives are not in paid work but also because many who are, particularly those who work part-time, have incomes below the tax threshold. Of course, it would be open to a wife to achieve 'independence' by not transferring her allowance; but in that case the allowance would be wasted.

**\* Transferable allowances do not help the poverty and unemployment traps**

It has been argued that transferable allowances would particularly benefit single earner couples who, because their earnings are generally lower, are more likely to be caught in the poverty and unemployment traps. We have shown in Section 2 that one result of the new structure of social security benefits is that increases in tax allowances have very little impact on the poverty trap. For similar reasons, they would have very little impact on the difference between incomes in and out of work and would therefore have little impact on the unemployment trap.

**\* Transferable allowances discourage married women from working and create potential for conflict between husband and wife**

A married woman who decided to return to paid work after a period away would have to take back her allowance from her husband. This would mean that his after-tax income would fall and, in some cases, might therefore lead to pressure on women not to take paid work. Is it right that the tax system should create a situation where the interests of husband and wife are in conflict?

\* **Transferable allowances create administrative complications**

Although the existing 'aggregation' rules would be abolished, the earnings of husband and wife would have to be matched more closely than they are now. The husband's tax office would have to know about his wife's earnings, even from odd jobs, so as to know what allowance to credit him with.

\* **Transferable allowances indiscriminately waste resources**

The cost of a 'no-loser' system of transferable allowances, which the 1986 Green Paper appeared to favour, has been estimated at between £4.5 billion and £5.5 billion.(50) The main beneficiaries would be single earner couples, whatever the reason for the woman's lack of employment and whatever the income of the husband.

We believe that this would be wrong. No other state subsidy is paid indiscriminately on behalf of people who are not in employment. All are paid in recognition of certain contingencies such as old age, low income, unemployment, disability, etc.

CPAG's proposed reforms (see below) would take account of the reasons why most married women are out of the labour force or have low part-time earnings. Most families in this situation would be compensated in other ways, as over 70% of married women out of the labour force are either looking after children or other relatives, or are prevented from working by their own ill-health.

Of the women who do not give a specific reason for being out of the labour force, at least half are over 50 years old.(51) If present trends in the employment of women continue, the proportion out of the labour force is likely to be lower when younger generations reach that age. The Government has itself justified cuts in benefits for widows over the age of 40 on the grounds of women's greater involvement in the workforce.(52)

But, more important, even if a case could be made for subsidising all married women at home, we can see no reason for subsidising husbands for their wives' lack of employment. That would hardly be equal and independent treatment.

\* **Transferable allowances privilege marriage**

The only people allowed to transfer allowances to their partner would be married couples. There is a strong argument against allowing tax arrangements to influence personal decisions about lifestyle such as whether to get married.

\* **Partially transferable allowances would have similar disadvantages**

In the form usually proposed, partially transferable allowances would have similar disadvantages, though in some cases in a mitigated or less widespread form. In many respects, they would reproduce the present system, but with some of the added disadvantages of transferability. And if the money released from phasing out the married man's allowance were used to

finance partially transferable allowances, one potential source of additional revenue to finance improvements in child benefit and other social security benefits would no longer be available.

c) CPAG's proposals

CPAG would argue for the phasing out of the married man's allowance. Husbands, wives and single people should all have the same level of non-transferable allowance.

The money saved should be put into benefits, especially child benefit and the invalid care allowance (ICA) which would compensate families where there are children or where the woman is caring for an elderly, sick or disabled relative.

With £4.6 billion, child benefit, for example, could be more than doubled - and there would still be enough left over to double the expected amount of expenditure on ICA this year.(53) This could be used to make both the benefit level and the rules more generous. The married man's allowance is worth about £7.11 a week to a standard rate taxpayer. Anyone with at least one child, for example, would therefore be compensated for the loss.

If the cost of a 'no-loser' scheme of transferable allowances were to be added to the total of funds used in the reforms, that would double the amount available and a wider range of measures could be considered, including extra help to those women who were out of the labour market for reasons such as unemployment or ill-health.

We would not necessarily advocate introducing the changes all at once. It might be necessary to phase them in over several years, and some of the 'spare' public funds could be used to ease the transition. It might, for example, be thought desirable to exempt those over a certain age (for example, those over 65) and to protect in some way those families in which there was an older woman who has not recently been in paid employment, but is below pension age.

The Government's Green Paper raised in addition specific issues affecting some particular groups (such as lone parents and pensioners). CPAG responded to the Government's suggestions on these at the time (see Note 48) and will not repeat our proposals here.

It has been rumoured that, whatever other changes are made in this Budget, the Chancellor is likely to tie mortgage interest tax relief to the dwelling rather than to the individual - as suggested in the 1986 Green Paper. This would mean that cohabiting couples would no longer be treated more favourably than married ones (the former being allowed two lots of relief and the latter only one). There are a number of problems with this suggestion - although we realise that the present system is unfair. For reasons already outlined, we would be opposed to any solution which involved an increase in the total of relief.

The other complex issue arising in discussions of the tax treatment of husband and wife is what to do about investment income. At present, married women's investment income is treated as belonging to their husbands for tax purposes, and this

situation produces some of the most vigorous calls for change from women's organisations. The logical outcome of independent taxation would be the 'disaggregation' of investment income. But this would need to be accompanied by changes in the taxation of investment income and capital, to ensure that the richest couples did not benefit most; and some form of controls would need to be introduced (as suggested in the 1986 Green Paper) to prevent rearrangement of assets between spouses for tax purposes only.

#### d) Conclusion

The Government has muddied the waters in its discussion of the tax treatment of men and women. It has tried to focus the debate on the differential tax treatment of single earner and two earner married couples, rather than on the bonus of the extra tax allowance allocated to all married men (the MMA). It has labelled its preferred option of transferable (or partially transferable) allowances "independent taxation with transferable allowances", whereas many commentators have pointed out that transferability in fact amounts to joint, rather than independent, taxation. It has tended to ignore the crucial difference between someone receiving an income themselves and someone receiving - or not receiving - an income via their marriage partner in the form of a tax allowance. This muddying of the waters has unfortunately diverted attention from what we believe are the central issues and the correct steps towards solutions:

- **most single earner couples are so because of the caring responsibilities taken on in particular by one partner**
- **the important task of caring should be recognised by the community, and the best way of doing this is to improve the cash benefits paid direct to the main carer rather than to give extra resources to their spouse via an additional tax allowance**
- **independent taxation, with equal nontransferable tax allowances, and improved cash benefits, would also achieve the Government's declared aims - that is, privacy and independence for married women in their tax affairs.**

## NOTES AND REFERENCES

- 1 J.A. Kay and M.A. King, The British Tax System, OUP, 1986.
- 2 HC Hansard, 13 May 1975, col.341.
- 3 The real value of the married man's tax allowance is measured from April 1978 (ignoring the interim Budget of 1979) and the value of child benefit is measured from April 1979, as these were the last levels set before the Conservative Government took office.  
  
All measures are taken over the period as a whole (not year by year). The real increase in the MMA is compared with the RPI (not, as sometimes, with the indexation formula increase) and is assumed to be the same in April 1988 as in April 1987. The RPI is assumed to be 4% higher and earnings 8% higher in April 1988 than in April 1987. Earnings are average earnings of all males whose pay was not affected by absence.
- 4 HC Hansard, 12 January 1988, and reports in several newspapers on 13 January 1988.
- 5 HC Hansard, 13 May 1975, col.334.
- 6 As Note 5, col.341.
- 7 This point was made by Tony Marlow MP during the debate on the uprating of social security benefits, 27 October 1987 (col.193 of HC Hansard).
- 8 Nigel Lawson, The Spectator, 3 February 1967.
- 9 See, for example, HC Hansard, 27 October 1987, col.189.
- 10 See, for example, A. Walsh and R. Lister, Mother's Lifeline, CPAG, 1985.
- 11 See, for example, J. Roll, Family Trends and Social Security Reform, Family Policy Studies Centre, 1986.
- 12 See, for example, R. Lister, There Is An Alternative, CPAG, 1986, and Burying Beveridge, CPAG's Response to the Government's Green Paper, 'Reform of Social Security', 1985.
- 13 HC Hansard, 13 May 1975.
- 14 British Social Attitudes, the 1985 Report, Ed. Roger Jowell and Sharon Witherspoon, Social and Community Planning Research, Gower, 1985.
- 15 J. Martin and C. Roberts, Women and Employment, HMSO, 1984.
- 16 General Household Survey 1985, Table 6.11, HMSO, 1983.
- 17 Letter to The Independent, 29 October 1987.
- 18 H. Joshi, The Cost of Caring, in J. Millar and C. Glendinning (Eds.), Women and Poverty, Wheatsheaf, 1987.

- 19 Nigel Lawson, HC Hansard, 29 April 1987, col.820. This is the extra amount that would have been paid in 1987/88 if the indexed 1978/79 tax regime were in place.
- 20 The Government's Expenditure Plans 1987/88 to 1989/90, Cm.56-II, January 1987.
- 21 HC Hansard, 24 July 1987, col.567w. This excludes 850,000 who would have paid tax but no longer do. See also Note 19.
- 22 HC Hansard, 5 May 1987, col.325-8w.
- 23 HC Hansard, 18 December 1987, col.850w.
- 24 British Social Attitudes, the 1987 Report, Ed. Roger Jowell et al, Social and Community Planning Research, Gower, 1987.
- 25 New Earnings Surveys, 1987 and 1979, HMSO. Figures refer to full time workers on adult rates whose pay was not affected by absence.
- 26 Inland Revenue, International Comparisons of Direct Taxes on Employment Incomes, quoted in The Guardian, 12 January 1987.
- 27 See Note 1.
- 28 C.V. Brown et al, Taxation and Family Labour Supply in Great Britain, Department of Economics, Stirling University, 1986.
- 29 HC Hansard, 30 November 1987, col.464w.
- 30 HC Hansard, 6 April 1987.
- 31 Calculations made by STICERD at the London School of Economics.
- 32 HC Hansard, 1 May 1987, col.287-8w.
- 33 HC Hansard, 18 December 1987, col.850w.
- 34 HC Hansard, 18 December 1987, col.843w.
- 35 HC Hansard, 1 May 1987, col.296w.
- 36 M. Ashworth and A. Dilnot, Company Cars Taxation, Fiscal Studies, November 1987.
- 37 Social Trends, 1987.
- 38 HC Hansard, 18 December 1987, col.870w.
- 39 Inland Revenue Statistics, HMSO; Financial Statement and Budget Report 1987, HMSO.
- 40 Julian Le Grand, article in The Independent, 10 June 1987.
- 41 Green Paper on the Reform of Personal Taxation, Cmd.9756, March 1986.

- 42 HC Hansard, 23 April 1986, col.886.
- 43 Green Paper on the Taxation of Husband and Wife, Cmnd.8093, December 1980.
- 44 J.A. Kay and C. Sandler, The Taxation of Husband and Wife, Fiscal Studies, Vol.3, No.3, 1982.
- 45 HL Select Committee on the European Communities, Income Taxation and Equal Treatment for Men and Women, November 1985.
- 46 See Note 41.
- 47 See, for example, HC Hansard, 23 April 1987, col.890.
- 48 See, for example, F. Bennett and R. Lister, Opportunity Lost, CPAG, 1986, and CPAG's evidence to the House of Lords Select Committee (Note 45).
- 49 A.B. Atkinson and H. Sutherland, Taxation of Husband and Wife in the UK, ERSC Programme Research Paper No.104, February 1987.
- 50 Institute for Fiscal Studies, Options for the Third Term, 1987 (£4.5 billion); Lloyds Bank Economic Bulletin, April 1986 (£5.5 billion - though this was pre-1987 Budget).
- 51 See Note 41, Annex 6, Table 3.
- 52 White Paper on the Reform of Social Security, para.5.14, Cmnd.9691, December 1985.
- 53 See Note 20.

CPAG  
February 1988





FROM: A A DIGHT

DATE: 23 February 1988

MR A C S ALLAN  
 MR TAYLOR  
 MISS WALLACE  
 MR HUDSON  
 MRS THORPE  
 MR TAYLOR  
 MR LYONS  
 MISS MURPHY  
 MRS SPRAGG  
 MRS R MODOS  
 MISS RUTTER  
 MS EVEREST PHILLIPS  
 MR HEYWOOD  
 MISS FEEST  
 MR BARNES  
 MR WESTHEAD  
 MR JUDGE  
 MRS CHADWICK  
 MR SARGENT  
 MR MONCK  
 MR LANKESTER  
 MR CULPIN  
 MR TURNBULL  
 MR ODLING-SMEE  
 MISS C EVANS  
 MRS BURNHAMS  
 MR MICHIE  
 MR K SEDGWICK  
 MR PICKFORD  
 MISS SIMPSON  
 MS L HOOSON  
 MR R I G ALLEN  
 MR BUSH

MR GUNTON  
 MR FLITTON  
 MR R EVANS  
 MISS E EDWARDS  
 MR P EDWARDS  
 MR DYER  
 MR R SAVAGE  
 MR G HAYDON  
 MS F BOGAN  
 MR HOUMANN  
 MRS J DALY  
 MR N FRAY  
 MISS M FINNEGAN  
 MISS K RUSSELL  
 MRS P WILKINS  
 MISS S WALLIS  
 MR A NICHOLLS  
 MR T DAVIES  
 MR D SAVAGE  
 MR C KNIGHT  
 MR PORTEOUS  
 MR RAWLINGS  
 MR M RALPH  
 MISS TITMUSS  
 MR CROPPER  
 MR TYRIE  
 MR CALL  
 MR N FORMAN MP H/C  
 PS/INLAND REVENUE  
 PS/CUSTOMS AND EXCISE

### 1988 BUDGET AIDE MEMOIRE

... I attach this year's Aide Memoire. Many thanks to those who contributed to it.

A A DIGHT

## 1988 BUDGET AIDE MEMOIRE

AA	Alex Allan	(4330)
JT	Jonathan Taylor	(4519)
MW	Moira Wallace	(5004)
AH	Andrew Hudson	(5021)
JTH	Julie Thorpe	(5011)
AD	Anthony Dight	(5012)
PT	Paul Taylor	(5014)
TL	Tony Lyons	(5013)
SM	Sarah Murphy	(5015)
PS	Pat Spragg	(5167)
RM	Rosa Modos	(5168)
RC	Robert Culpin	(4419)
CE	Carys Evans	(5170)
TB	Teresa Burnhams	(5179)
KS	Kevin Sedgwick	(5169)
SP	Steven Pickford	(4549)
JS	Judith Simpson	(5211)
LH	Lourie Hooson	(5208)
RA	Richard Allen	(4420)
HB	Harry Bush	(5252)
MG	Michael Gunton	(5187)
JF	John Flitton	(5188)
RE	Richard Evans	(5245)
EE	Eleanor Edwards	(5251)
PE	Peter Edwards	(5248)
BP	Brian Porteous	(4830)
RR	Rod Rawlings	(4889)
DS	David Savage	(5546)
PC	Peter Cropper	(4359)
CT	Chris Titmuss	(4840)
BD	Brian Dyer	(4520)
RS	Richard Savage	(5006)
TJD	Tony Davies	(5163)

ACTIONPreparation in weeks before the Budget

- (1) Arrange audience of The Queen with her Private Secretary  
Clear date of Budget with No.10 (checking that there are no State Visits, Archbishop's enthronements etc). JTH/MW  
TB/AA
- (2) Check with Speaker on allocation of guest seats available. JTH/MW
- (3) Consult Chancellor on distribution of seats. Make arrangements for collection of tickets for Speaker's Gallery and under the Gallery. Inform other guests of arrangements for collecting the tickets for Distinguished Stranger's Gallery and Speaker's Gallery (East). JTH/MW
- (4) Arrange for sufficient 1075 machines, stocks of paper and a mechanic on call to be available from Saturday before Budget Day. AD/RR
- (5) Arrange for TV Broadcast, in conjunction with Chief Whip's Office. Discuss arrangements for TV Broadcast with the BBC. RA/JF
- (6) Arrange for members of Chancellor's Registry and volunteers from other Private Offices' clerks, if required, to be available to collate papers on weekend of 12/13 March and on Budget Day. (For IDT as well). AD  
Check with EOG (David Lodge) for overnight accomodation to be provided.
- (7) Submit publicity arrangements to Chancellor. RA
- (8) Make arrangements for providing Press Gallery (P.A.), P.A. Newsroom, Reuters, AP Dow Jones, BBC, ITN, IRN, Oracle, Ceefax and Financial Times with Speech section by section (see item 90). AD/JF
- (9) Arrangements for laying of White Papers, etc. BD
- (10) Circulate roster of Ministers covering Treasury Bench and officials covering official box (or available on the 'phone) for Budget Statement, remainder of Budget Day and three days of subsequent Debate. (Note that Ministers are required for T.V. Broadcasts.) MW

16 Sitting Days before Budget Day

- (11) Contact Mr Forman to confirm that a Member will sleep overnight in the Conference Room adjacent to the Public Bill Office (Whips Office provide a put-u-up) so that notice of a Ten Minute Rule Bill can be handed in immediately the Public Bill Office opens (circa 10.00am) the following morning Tuesday, 23 February. BD/Nigel Forman

Two weeks before Budget Day

- (12) Seek Chancellor's wishes as to speakers in Debate; inform them and the Whips. Take into account Ministers' TV and Radio engagements. AA/RA

- (13) MG to organise arrangements for Budget Box photograph. Budget box to be collected from Office Services. MG/PE
- (14) Draft of T.V. Broadcast to be produced and circulated for comment. AH
- (15) TB co-ordinate along with PE, BD and MW, letter to Departments and Departments' Chief Press Officers (PE to provide names of Chief Press Officers) "about detailed arrangements for production of Press Notices and clearance of post Budget Statements" including number required (see Annexes). TB send similar note to Treasury Divisions and Revenue Departments. Letter to give deadline for arrival of PN's (midday Friday 11 March). EB to get advance copies of PN's. (TB to confirm number of PN's expected per Department). SP/TB/PE/MW/BD

**(Inland Revenue PN's to arrive no later than 10.00am on Sunday 13 March)**

- (16) Prepare addressed envelopes or labels for those listed below under Items 18,90,97,98,102,104,120,121,122. Chancellor's Office

**Week before Budget**

- (17) Budget Box photograph at HMT. (Thursday 10 March). MG
- (18) Make arrangements for those entitled to collect copies of Speech, Snapshot, FSBR, Resolution, CST Summary & Guide, EPR Supplement, Press Notices and other Command papers from Enquiry Room after the Chancellor has sat down\* viz: AD

\* (ensuring that the Press are kept separate from Diplomats, CBI etc).

- |     |                       |  |
|-----|-----------------------|--|
| (a) | NEDO (211 3000)       | )Each to have 3 (CBI to receive 4) copies of Speech, |
|     | CBI (379 7400)        | )Snapshot, FSBR, Command Papers and                  |
|     | TUC (636 4030)        | )any Press Notices + 1 Resolution for CBI            |
|     | NICG (235 2020)       |  |
|     | Conservative Research |  |
|     | Dept (222 9000)       |  |

NB. CBI package to be given to Mr Monck along with his own advance package (Mr Wynn Owen to assist in liaising with CBI for collection of package).

- (b) TL to arrange with IF2 Division (DS) to collect for issue after Budget Speech sets of 1 copy of each of the above documents to Australian and New Zealand High Commissions, EEC Diplomatic Missions, US Embassy, Canadian High Commission and Japanese Embassy (22 sets in all). Check with IDT/IF2 whether any other Embassies have requested Budget Docs, and alter no's required accordingly. IF2 prepare envelopes. TL/DS

- (c) RR to arrange shuttle flight for K Sedgwick to take package(s) to Scotland. RR

(19) TB confirm with Parliamentary Counsel's Office, IR, C&E, Treasury Divisions and other Departments for correct number of copies of Resolutions, Command Papers and any Press Notices to be delivered to AD and RR in CRU as appropriate (see Annex) by midday on Friday 11 March at the latest. TB to arrange for correct number of copies of FSBR to be delivered by 9.00 a.m. on Tuesday 15 March. TI

(20) Check with FP/GE & MW precisely which documents will be in Budget package (eg. any Command Papers), and let RR know. AD/RI

(21) AD to check despatch arrangements with Foreign Office (May Gibson 210-6128) for guidance telegram to overseas posts on Budget Day. AI

(22) All offices to inform RR of requirements for messengers, security guards and vans. RR to send reminder to offices asking them of their requirements. RI

(23) BD to write to Vote and Printed Paper office concerning embargoes to be observed on the FSBR and related documents. BI

Tuesday 8 March

(24)(A) First draft and structure of Backbenchers' Brief cleared with officials, including EB and FP. PC/EB/FI

(B) Draft EPR Supplement to Chancellor. RA

(C) Draft notes for Queen and overseas posts to Chancellor. RC

Wednesday 9 March

(25) EB to provide draft of key briefs to Treasury Minister's Offices. (2 copies for Chancellor's Office, 2 copies for other Ministers). EI

(26) FP to clear with the Chancellor the number and subject of expected press notices and the order in which they are to be collated. FI

(27) 2nd Proof of FSBR from printer and to Chancellor. CI

Thursday 10 March

(28) Inform IDT of likely length of Speech. AA/RI

(29) Contact Cannon Row Police Station to ensure crowds are allowed to congregate behind barrier opposite No.11 for benefit of photographers when he leaves for the House. (Clear with No.10 security co-ordinator) MC

(30) EPR Supplement to printer EE/PI

(31) EB to receive Chancellor's comments on drafts of key briefs. Meeting if necessary. AA/EI

(32) Draft of Backbenchers' Brief to Chancellor. PC

(33) 2nd Proof of FSBR returned to printer. CI

Friday 11 March

- (34) Work as necessary to produce final version of speech. AA
- (35) Send copy of latest draft of Speech to PM if Chancellor wishes. AA
- (36) RE to submit draft Snapshot to Chancellor's Office having cleared with FP and EB (to be shown to Chancellor). CE/EB/RE
- (37) Finalise arrangements with BBC for TV Broadcast. JF
- (38) Final version of summary for The Queen and overseas posts submitted to Chancellor. RC
- (39) EPR proof to Chancellor RA
- (40) Submit final draft of TV broadcast if available. Chancellor's Budget Broadcast meeting. (If necessary). AH
- (41) Check with AA whether any other Ministers or officials are to receive advance copies of Budget documents other than those at Annex. AD/AA
- (42) Check arrangements for despatch of overseas copies of speech etc. with the FCO. (see item 120). AD
- (43) Chancellor's comments on backbenchers' Brief to Special Advisers. AA/PC
- (44) Check catering and sleeping arrangements for Chancellor's office for 11 and 14 March. AD/RR
- (45) JTH to check with BD to ascertain timing of main speakers in Budget Debate, and leave time free in the Chancellor's diary so that he may (if he wishes) listen to the main speakers. JTH/BD
- (46) JTH to co-ordinate Chancellor's meeting with the Backbench Finance Committee JTH
- (47) Check arrival of press notices against numbers expected (see Annex). Issue required numbers to AD and Committee Section in accordance with list in Annex. Comm Section/AD

SATURDAY-MONDAY

Saturday 12 March/Sunday 13 March

- (48) Collation of Press Notices by Committee Section and volunteers (NB 1150 collated sets of the Budget Snapshot, the EPR Supplement and related Treasury and other Departmental PNs are required by Parliamentary Section). BP/RR
- (49) FSBR Book proofs checked in HMT, returned to printer by NOON. CE
- (50) Chancellor: photo-call. MG

- (51) Type Snapshot on A4 paper. IDT/EE
- (52) EPR proof to printer (with Chancellor's comments), by Noon. EE/PE
- (53) Press Officers in office on Sunday morning to read available Budget material. Press Officers
- (54) Mr Cropper has Backbenchers' Brief checked for factual accuracy by EB. PC/EE
- (55) Send speaking copy and spare to Chancellor. AD

**Monday 14 March**

- (56) 8.00 a.m. CE sign off final FSBR proof.  
IDT sign off EPR proof. CE  
EE
- (57) Collect Budget Box from IDT. AD/PE
- (58) See item 79 - phone C&E, IR, B of E. TL
- (59) MW to confirm with Tony Davies that he will be available in Speakers Yard to greet Chancellor and Mrs Lawson and show latter to her seat, and to thereafter go to Chancellor's PPS's room to guard over copies (see item 102) while Budget Speech is in progress. TJD/MW
- (60) Chancellor's Office to receive from EB 2 copies of near-final draft of Brief during course of day. LH
- (61) Mr Evans gives Chancellor's Office 2 copies of near-final draft of Snapshot during course of day. RE
- (62) Confirm likely length of speech with IDT to guide radio/TV. AA/RA
- (63) By 12.00 noon: Receive FINAL comments on speech. Start amending speech as necessary. AA/PS
- (64) Check any corrections section by section. Chancellor's Office
- (65) Evening - either obtain confirmation from Chancellor that Speech can be regarded as final or amend speaking copy in accordance with his instructions. Text must be finalised. AA/PS
- (66) Final check of Backbenchers' Brief by EB. PC/EB
- (67) Produce index for speech. Chancellor's Office
- (68) Chancellor due at Buckingham Palace. (6.15pm) JTH
- (69) Chancellor's Office receive Snapshot from RE for checking. RE
- (70) Check that CST Summary and Guide, Resolutions and EPR Supplement have arrived in Chancellor's Office. AD
- (71) Advisers re-submit Backbenchers' Brief to Chancellor for final approval. PC/AA

- (72) Final check of Snapshot before collating. RE/SP
- (73) CRU roll off 170 copies of Budget Brief. CT
- (74) Photocopy 36 copies of final text for Chancellor's Office
- Chancellor
  - Prime Minister
  - Other Treasury Ministers (4) See Annex
  - Officials and Advisers (22)
  - Private Secretaries (6, including AH)
  - 2 copies for CH/EX's office
- (75) CX's office rolls off 140 copies of compact speech, 80 copies section by section and 18 unstapled sets. CRU rolls off 1750 copies of snapshot. Chancellor's Office/CRU
- (76) As soon as possible Mr Cropper lets Miss Titmuss have the master copy of the Backbenchers Budget Brief. Miss Titmuss will run off 400 copies. Mr Cropper will arrange for these to be distributed by the Parliamentary Private Secretaries following the Budget Speech. PC/CT

**BUDGET DAY: 15 March**

- (77) 0845: Chancellor (+ family) photocall in St James' Park MG
- (78) Tabling of Budget Resolutions by Parliamentary Counsel. FP
- (79) As soon as final version of brief is available let PS/IR, PS/C&E and BofE know so that they can send a messenger to collect. (Brief may not be ready until very late). AD
- (80) Order taxis to take AH & TL with speech sections to House at 3.00 pm. TL
- (81) 10.00 am: TB to check that FSBR has arrived. TB
- (82) 10.00 am: JF to supervise BBC team at No.11 for TV Broadcast JF
- (83) 10.30 a.m.: Budget Cabinet (time to be confirmed). JTH
- (84) RE to "mark up" (sideline) final version of speech HB/RE
- (85) EB to double-check headlined version of the speech. EB
- (86) By 11 a.m. the "compact" master copy of Speech is to be given to Miss Titmuss in the CRU for 580 copies to be rolled off for distribution to the Lobby and Press Gallery in House of Commons and to IDT (see Items 90 and 93). From Private Office production of Speech send one copy by hand to SP EB Room 97/2) as soon as possible. Copy to be marked up for PA. When master copy of "marked up" speech is returned to the private office, 13 unstapled copies to be made for BBC TV, BBC Radio, IRN, ITN, Reuters, AP Dow Jones and PA Newsroom, Financial Times Newsroom, Oracle and Ceefax. CT/TL/SP



- (87) By 11.00 am six copies of speech (run off by AD), FSBR, Command Paper(s), Press Notices, EPR to give to KS (as decided at item 18c) to take to Scotland. (See Item 115) AD/KS
- (88) By 11.00 am RE to give KS a copy of the Snapshot. KS then takes 5 copies. RE
- (89) Inform Leader of House of Lords Office and Mr Christopher (IRSF) that they should collect their packages from PPS's room at the end of the speech. MW
- (90) Prepare packages as follows: Chancellor's Office
- (a) Press Gallery (Mrs J Daly to collect)
- 30 copies of sectioned version of Speech (each section to be marked individually), in separate envelopes each marked with number of section.
  - 1 copy of Snapshot, with each final section (ie 30 snapshots)
- (b) P.A. Gallery (Mr J Flitton to collect)
- 1 unstapled speech with sidelines and headlines for page by page distribution\*
- (c) ITN, Wells Street (Ms F Bogan and Mr A Nichols to collect)
- 16 copies of sectioned version of Speech, in separate envelopes each marked with number of section.
  - 2 unstapled Speech with sidelines and headlines for page-by-page distribution\*
  - 2 envelopes, each containing 1 copy of Speech, Snapshot, CST Summary & Guide, EPR Supplement, FSBR, Command papers and all press notices addressed to:-
    1. Nigel Dacre, ITN Budget Programme
    2. Economics Editor, Channel 4.(NB: These envelopes to be handed over at the end of Chancellor's speech)
- (d) BBC, TV White City (Mrs R Chadwick and Miss S Wallis to collect)
- 11 copies of sectioned version of Speech, in separate envelopes each marked with number of section
  - 2 unstapled speech with sidelines and headlines for page-by-page distribution\*
  - 2 separate envelopes, containing 1 copy of Speech, Snapshot, CST Summary & Guide, EPR Supplement, FSBR, Command Papers and Press Notices, addressed to:-
    1. Producer, BBC Budget Programme
    2. James Long: BBC Economics Editor.(NB: These envelopes to be handed over at the end of Chancellor's speech).

- (e) BBC Radio, Broadcasting House (Miss Feest to collect)
- 11 copies of sectioned version of Speech, in separate envelopes each marked with number of section
  - 1 unstapled copy of speech with sidelines and headlines for page-by-page distribution\*
  - 2 envelopes each containing a copy of the Speech, Snapshot, CST Summary & Guide, EPR Supplement, FSBR, Command Papers and all press notices addressed to:-
    1. BBC Economics Correspondent
    2. Producer, PM Budget SpecialNB: These envelopes to be handed over at end of Chancellor's speech
- (f) Independent Radio News (Ms Z Everest-Phillips to collect)
- 5 copies of sectioned version of speech, in separate envelopes and marked with number of section
  - 1 unstapled speech with sidelines and headlines for page-by-page distribution\*
  - 1 envelope enclosing a copy of the Speech, Snapshot, FSBR, CST Summary & Guide, EPR Supplement, Command papers and all press notices, addressed to:-  
  
Mr Douglas Moffit,  
Economic Editor, LBC  
  
NB: This envelope to be handed over at end of Chancellor's speech
- (g) Reuters Newsroom (Mr A Houmann to collect)
- 1 unstapled speech with sidelines and headlines for page by page distribution \*
  - 1 envelope containing a copy of the Speech, Snapshot, FSBR, CST Summary & Guide, EPR Supplement, and all Press Notices addressed to Mr David Keefe, Reuters.  
  
NB: This envelope only to be handed over at the end of the Chancellor's speech.
- (h) AP Dow Jones (Mrs P Wilkins to collect)
- 1 unstapled speech with sidelines and headlines for page by page distribution \*
  - 1 envelope containing a copy of the Speech, Snapshot, FSBR, CST Summary & Guide, EPR Supplement, and all Press Notices to Mr Hitchcock  
  
NB. This envelope only to be handed over at the end of the Chancellor's Speech.

- (i) P.A. Newsroom (Miss K Russell to collect)
- 1 unstapled speech with sidelines and headlines for page by page distribution. \*
- (j) F.T. Newsroom (Mr G Haydon to collect)
- 1 unstapled speech with sidelines and headlines for page by page distribution. \*
  - 2 envelopes containing a copy of the Speech, Snapshot, FSBR, EPR Supplement, and all Press Notices addressed to:  
  
Mr David Walker  
News Editor, Financial Times  
  
NB: This envelope only to be handed over at the end of the Chancellor's speech.
- (k) Oracle (Mr N Fray to collect)
- 1 copy of sectioned version of speech, in separate envelopes and marked with number of section
  - 1 unstapled speech with sidelines and headlines for page by page distribution\*
  - 1 envelope enclosing copy of Speech, Snapshot, FSBR, Command Papers, CST Summary & Guide, EPR Supplement, and all Press Notices, addressed to: Mr Peter Hall, Editor, Oracle.
- (l) Ceefax (Miss M Finnegan to collect)
- 1 copy of sectioned version of speech, in separate envelopes and marked with number of each section.
  - 1 unstapled speech with sidelines and headlines for page by page distribution\*
  - 1 envelope enclosing copy of Speech, Snapshot, FSBR, Command Papers, CST Summary Guide, EPR Supplement, and all Press Notices, addressed to: David Wilson, Manager Teletext.
- (m) Knight Ridder (Mr N Dawson to collect)
- 1 copy of sectioned version of speech, in separate envelopes and marked with number of each section.
  - 1 unstapled speech with sidelines and headlines for page by page distribution\*
  - 1 envelope enclosing copy of Speech, Snapshot, FSBR, Command Papers, CST Summary Guide, EPR Supplement, and all Press Notices, addressed to: Mark Leheney (Knight Ridder)

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\* 15 'marked-up' copies of Speech (unstapled) are to be provided by SM by 2.30 p.m.

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(91) Check arrival in Chancellor's Office of 89 copies of Resolutions from Parliamentary Counsel's Office, 187 copies of FSBR from HMSO via FP, 155 copies of CST Summary & Guide (from C Knight GEP) and 24 Briefs (From EB - first 4 to AA, JT, AH and MW). AD/TB/LI

(92) Issue 187 copies of FSBR, 155 copies of CST Summary & Guide, 89 copies of Resolutions and 5 (as soon as available) copies of Brief from LH, to AD for distribution as in Annex. (Other 4 Briefs to AA, JT, AH and MW). LH/AI

(93) Committee Section pack up documents indicated in parcels addressed as below. (Speeches, etc. should be packed separately in pre-addressed envelopes provided by IDT. Copies of Speech are not provided by Chancellor's Office):- RR/PI

105 copies of Speech and 130 copies of Snapshot 70 copies each of FSBR, HMT's PN, Other Gov. Dept's PN's, other Cmdnd Papers to Home Press, Gallery, House of Commons

10 copies of speech and 10 copies of snapshot in separate envelope to "the Secretary, Press Gallery", marked "for OVERSEAS CORRESPONDENTS".

The above parcels should then be packed for transmission to the House.

(94) Start collation of full text of Speech with index and checklist. Chancellor's Clerk and Typist

(95) Before 12.00: MW gives copy of speech to BD who will let Speaker's Private Secretary know roughly how long Speech will last. MW/BI

(96) Parliamentary Section to be given 6 copies of FSBR by TB for laying before Parliament. TB/BI

(97) By 12.30 p.m.: Make up and despatch SECRET envelopes containing

1 copy each of Speech, FSBR, Resolutions, Command Papers, CST Summary & Guide, EPR Supplement, Snapshot + Press notices to:- Chancellor Clerk

Prime Minister\* (Budget Brief (6))

Chief Secretary (2xFSBR) + Budget Brief

Financial Secretary (2xFSBR) + Budget Brief

Paymaster General (2xFSBR) + Budget Brief

Economic Secretary (2xFSBR) + Budget Brief

Officials, etc. (See Annex for list)

(NB. Sir T Burns, and Mr C W Kelly receive 2 copies each of the FSBR, Sir P Middleton and Mr Cropper receive 3 copies each of FSBR)

Speaker (via Mr Dyer)

Chief Whip (via Mr Dyer)

1 Set of above to Northern Ireland Office.

BP t  
provide extr  
messenger t  
report to A  
by 2.15 pr

B

AD to seek authorisation from AA to issue packages to other Ministers and Officials.

AA/AI

\* No.10 receive 6 copies of the FSBR and Budget Brief and 10 sets of Press Notices.

(98) BY 12.30 p.m.: SECRET envelopes containing Speech, Resolutions, CST Summary & Guide, Snapshot, EPR Supplement, FSBR, Press Notices + other Command Papers to be given to messengers from:-

- Customs & Excise (6 copies of each) - including 1 to Isle of Man
- Inland Revenue (6 copies of each)
- Bank of England (6 copies of each plus 6 copies of press notices)

(AD phones PS/IR, PS/C&E & Bank to arrange that these messengers come to the Chancellor's Registry.)

AD

(99) At 12.30 p.m.: 14 copies of Speech, Snapshot, FSBR, Command Papers and Press Notices to be issued to HB for allocation to members of IDT  
(Copies of Brief will be send direct to RA by EB for monitoring teams.)

HB

LH

(100) At 12.30 p.m. Committee Section to pack for IDT:

RR/PE

- 553 copies of Speech (supplied by CRU)
- 523 copies of FSBR
- 523 copies of other Depts'. Budget Press Notices
- 583 copies of Snapshot
- 659 copies of Tsy Press Notices (103 copies for Treasury Mailing list)
- 503 Cmnd Papers (CST Summary and Guide)

in pre-addressed envelopes (provided by PE) for Press and other callers to collect

(101) 1 set each of Speech, Snapshot, FSBR, Resolutions, Command Papers and Press Notices to be given to AA, JT, AH and MW, and of speech only to TL.

AD

(102) 1 set each of Speech, FSBR, CST Summary & Guide, and Command Papers in sealed envelopes addressed to:

AH/AD/RS

Leader of the House of Commons: (Mr Wakeham)

Leader of the House of Lords: (Lord Belstead)

Leader of the Opposition (Rt. Hon. N Kinnock MP)

Shadow Chancellor (Rt. Hon. J Smith MP)

Chancellor's PPS (Mr N Forman MP)

Rt Hon D Steel MP

Rt Hon R MacLennan MP

Rt Hon J Molyneaux MP

} Speech  
} Only

Mr Christopher (IRSF) - plus Press Notices + Snapshot (not Command Papers)

Sir William Clark MP (Chairman of Conservative Finance Committee)

Mr Sheldon MP, Chairman PAC

Rt. Hon. T Higgins MP, Chairman TCSC (+ CST Summary & Guide)

The Hon. M Lennox Boyd MP (Treasury Whip)  
Mr T Garel-Jones MP (1 copy of speech only) for HM the Queen

to be given to AH to take with him to Mr Forman's room, for member of Parliamentary Section to guard over and for Mr Forman and other PPS's to pick up directly after speech and give to those concerned.

- (ii) **Copy of Chancellor's speaking copy to AA to give to Mr N Forman just before speech.** AD/AA
- (103) Take Gladstone Box to Chancellor. Make up package consisting of speaking copy of Speech, and copies of FSBP, Resolutions, Snapshot, Command Papers and Press Notices for Chancellor. Ensure he has a copy of the Budget Brief. AA/AA

Budget Day: After lunch

- (104) Envelope copies of Speeches and FSBP for distribution to members of the Cabinet (other than PM, Chief Secretary LPS + LPC) to be despatched after the Chancellor has sat down. AD/Chancellor's Office
- (105) At 2.30 pm: Volunteers collect packages from Chancellor's office for page by page release (see item 90).
- (106) TL to take copy of speech to official reporters, to be handed over page by page when Chancellor delivers speech. TL to remain in Hansard Office until Ch/Ex sits down. TI
- (107) Chancellor + Mrs Lawson photocall outside No.11 before going to House. MC
- (108) At 3pm, Peter Edwards and Janiss Daly assisted by four messengers and a Security Officer, take 30 copies of the speech in sections (provided by the Chancellor's Office), 105 copies of the complete speech and 130 copies of the Snapshot and 70 each of FSBP, Cmnd papers, and related Press Notices to Miss Stella Thomas in the Press Gallery. They will also have a separate package of 10 copies of the Speech and 10 copies of the Snapshot for the Overseas Press. (Turn up in Committee Section (75/G), to collect papers at 2.45 pm). Security Guard to remain with Janiss Daly. RR/PI
- (109) ~~Ensure all officials covering the Official Box have copies of the brief.~~ LH
- IDT to collect packages (see item 100) from Committee Section PI
- (110) During the Budget Speech: The sections will be released to the Press Gallery, TV, radio and IDT monitoring teams by the following drill: IDT
- (a) In the Press Gallery, a member of IDT will authorise the release of the 30 sectioned copies of the Speech. JH
- (b) In the 7 broadcasting studios and Newsrooms (ITN, BBC-TV, BBC radio, PA Newsroom IRN, FT, Reuters Newsroom, AP Dow Jones, Oracle and Ceefax) the page-by-page unstapled copy of the Speech and the sectioned copies of the Speech will be released when the Treasury official hears (from the Radio 4 live speech broadcast) that the page/section has been completed.

- (c) There will be monitoring of BBC and ITN Broadcasts in IDT by officials and Press Officers.
- (111) Delivery of Snapshot, Treasury Press Notices, EPR Supplement, and other Departments' Press Notices to Vote and Printed Paper Offices
- (112) Laying of FSBR, Chief Secretary's, Summary & Guide, and Main Estimates. 1988-89.
- (113) During Speech: Note changes from typed version.

At end of Speech

- (114) Set to be collected for Leader or Deputy Leader of the House of Lords from N Forman's room (see Item 102).
- (115) TB to phone KS in Scotland to authorise release of documents.
- (116) Despatch by hand copies of Speech to other members of Cabinet (see Item 104).
- (117) Release copies of Speech and FSBR for Cabinet Ministers, (see item 104), Press (see item 108) and NICG envelopes (see item 18) for NEDO, CBI (via Mr Monck), TUC, and Conservative Research Department to Messengers to take to Enquiry Room; also release copies for Australian and New Zealand High Commissions etc. as at Item 18(b) to IF2 Division.
- (118) Check Hansard.
- (119) Check whether Debate is likely to continue beyond 7.00 pm if so, confirm duty Minister's extensions for bench, taking into account Minister's media engagements (in consultation with RA)
- (120) Send copies as follows:-

	<u>CST Summary Guide</u>	<u>Speech and Brief</u>	<u>Snapshot Resolution, Press Notices</u>	<u>FSBR</u>	<u>Cmd Papers</u>	<u>EPR Supplement</u>
Mr F Cassell British Embassy Washington	3	1	3	3	3	3
Mr D Bostock UKREP Brussels	3	1	3	4	4	3

Send 1 copy of each of above papers to:  
Director of British Information Services, NY

Mr M C S Weston, British Embassy, Paris. BY 6.00 p.m. Bag  
Mr E T Davies, UK Delegation, OECD, 19 Rue de Franqueville,  
75775, Paris, Cedex, France (1 copy of brief only).

- (121) Give 8 copies of Speech, Snapshot, FSBR, CST Summary & Guide, Government Papers, EPR Supplement, and any Press Notices to RS

for depositing in the Libraries of the House of Commons and House of Lords.

AD to give 2 copies of Resolutions to RS for Butterworths Law Publishers.

AD/RS

(122) Provide two sets of Speech, Snapshot, FSBR, Resolutions, Command Paper(s), all Press Notices to Table Office.

BI

(123) Provide 4 8" (eight inch) discs containing Chancellor's statement (1) FT, (2) Press Association.

RM

CHANCELLOR'S OFFICE





RECIPIENTS	UNSTAPLED SPEECH	WHOLE SPEECH	SECTIONED SPEECH	SNAPSHOT	RESOLUTIONS	F&B	CST SUMMARY + GUIDE	HMT PRESS NOTICES	OTHER DEPT PRESS NOTICES	EPR SUPPLEMENT	BUDGET BRIEF
CUSTOMS & EXCISE (6)	—	6	—	6	6	6	6	6	6	6	—
INLAND REVENUE (6)	—	6	—	6	6	6	6	6	6	6	—
BANK OF ENGLAND (6)	—	6	—	6	6	6	6	6	6	6	1
IDT (PRESS + CALLERS)	—	553	—	583	—	523	503	659	523	609	—
RT HON T HIGGINS MP	—	1	—	—	—	1	1	—	—	—	—
CX, AA, JT, AH, + MW (5)	—	5	—	5	5	5	5	5	5	5	5
LEADER. HOUSE OF COMMONS	—	1	—	—	—	1	1	—	—	—	—
LEADER. HOUSE OF LORDS	—	1	—	—	—	1	1	—	—	—	—
LEADER OF THE OPPOSITION	—	1	—	—	—	1	1	—	—	—	—
SHADOW CHANCELLOR	—	1	—	—	—	1	1	—	—	—	—
MR N FORMAN MP	—	1	—	—	—	1	1	—	—	—	—
MR CHRISTOPHER (IRSF)	—	1	—	1	—	1	1	1	1	—	—
SIR W CLARK MP	—	1	—	—	—	1	1	—	—	—	—
MR R SHELDON MP	—	1	—	—	—	1	1	—	—	—	—
THE HON M LENNOX BOYD MP	—	1	—	—	—	1	1	—	—	—	—
MR T GAREL-JONES MP	—	1	—	—	—	—	—	—	—	—	—
CABINET (EXCL PM, CX, CST, LPS)	—	17	—	—	—	17	—	—	—	—	—
HANGARD	—	1	—	—	—	—	—	—	—	—	—
VOTE & PRINTED PAPER OFFICE	—	—	—	1150	—	—	—	1150	1150	1150	—
TABLE OFFICE	—	2	—	2	2	2	2	2	2	2	—
MR CASSELL (WASHINGTON)	—	1	—	3	3	3	3	3	3	3	1
MR BOSTOCK (BRUSSELS)	—	1	—	3	3	4	3	3	3	3	1
DIRECTOR BIS (NEW YORK)	—	1	—	1	1	1	1	1	1	1	1
BRITISH EMBASSY (PARIS)	—	1	—	1	1	1	1	1	1	1	1
UKDEL. OECD	—	1	—	1	1	1	1	1	1	1	1
H/C LIBRARY	—	4	—	4	—	4	4	4	4	4	—
H/L LIBRARY	—	4	—	4	—	4	4	4	4	4	—
BUTTERWORTHS	—	—	—	—	2	—	—	—	—	—	—

RECIPIENTS	UNSTAPLED SPEECH	WHOLE SPEECH	SECTIONED SPEECH	SNAPSHOT	RESOLUTIONS	F5BR	CST SUMMARY + GUIDE	HMT PRESS NOTICES	OTHER DEPT PRESS NOTICES	EPR SUPPLEMENT	BUDGET BRIEF
RT HON D STEEL MP	—	1	—	—	—	—	—	—	—	—	—
RT HON R MACLENNAN MP	—	1	—	—	—	—	—	—	—	—	—
RT HON J MOLYNEAUX MP	—	1	—	—	—	—	—	—	—	—	—
HMT LIBRARY	1	11	1	2	2	—	—	1	1	2	2
PS/SPEAKER (VIA BOYER)	—	1	—	—	—	—	—	—	—	—	—
FP DIVISION		10		10	3	16	3	3	3	10	
EB DIVISION		4		3		4	2	3	2	3	170
KNIGHT RIDDER	1	1	1	1		1	1	1	1	1	
<b>TOTAL</b>	<b>14</b>	<b>745</b>	<b>76</b>	<b>1917</b>	<b>89</b>	<b>736</b>	<b>659</b>	<b>1958</b>	<b>1821</b>	<b>1911</b>	<b>194</b>

## ANNEX II

## REQUIREMENTS: FROM SOURCE

REQUIRED BY	UNSTAPLED SPEECH	WHOLE SPEECH	SECTIONED SPEECH	SNAPSHOT	RESOLUTIONS	F6BR	CST SUMMARY + GUIDE	HMT PRESS NOTICES	OTHER DEPT PRESS NOTICES	EPR SUPPLEMENT	BUDGET BRIEF
CHANCELLORS OFFICE	14	166	75	169	89	187	155	152	152	147	21
IDT	—	553	—	583	—	523	503	659	523	609	—
PARLIAMENTARY SECTION	—	1	—	1150	—	6	6	1150	1150	1150	1
FP	—	10	—	10	3	16	3	3	3	10	—
EB	—	4	—	3	—	4	2	3	2	3	170
HMT LIBRARY	1	11	1	2	2	—	—	1	1	2	2
TOTAL	15	745	76	1917	94	736	669	1968	1831	1921	194
SUPPLIED BY:											
CHANCELLORS OFFICE	15	166	76	169							
HMSO (FP ORDER)						736					
HMSO (GEP ORDER)							669				
PARLIAMENTARY COUNSEL					94						
HMT COMMITTEE SECTION		579		1748				1968	1831		170
EB MACAULAY PRESS										1921	24
TOTAL	15	745	76	1917	94	736	669	1968	1831	1921	194

# ANNEX III

† Sir P Middleton 3xFSBR Sir T Burns 2xFSBR Mr J Anson  
 Sir G Littler Sir T Burns Dame Anne Mueller Mr Scholar  
 Mr Lankester Mr I Byatt Mr Monck Sir A Wilson  
 Mr Kemp Mr Culpin Miss Peirson Mr R I G Allen  
 Mr Pickford Mr C Kelly 2xFSBR Miss C Evans  
 Mr Cropper 3xFSBR Mr Tyrie Mr Call Mr Odling-Smee

## RESPONSIBILITIES FOR DISTRIBUTION: CHANCELLOR'S OFFICE

RECIPIENT	PACK A	PACK B	PACK C	OTHER	TIME TO BE DELIVERED
SCOTLAND		✓(6)			- TO K GEDWICK BY 11.00AM  BY 12.30PM (AA TO AUTHORISE RELEASE)  BY 12.30PM (VIA BRIAN DYER)  TO BE COLLECTED FROM THE CHANCELLOR'S OFFICE AT <u>2.30PM</u> FOR PAGE BY PAGE DISTRIBUTION AS CHANCELLOR SPEAKS <u>PACK B'S TO BE HANDED OVER AT END OF SPEECH</u>
PRIME MINISTER (+NO-10)	✓(6)			6x BUDGET BRIEF, 4x HMPPN'S + OGDPN'S	
CX, AA, JT, AH, MW	✓(5)			5x BUDGET BRIEF	
HMT MINISTERS	✓(4)			2x FSBR EACH, 4x BUDGET BRIEF	
HMT OFFICIALS †	✓(22)				
N. IRELAND OFFICE	✓				
MR A BATTIGHILL I/R	✓				
MR B UNWIN C&E	✓				
INLAND REVENUE	✓(6)				
CUSTOMS & EXCISE	✓(6)				
BANK OF ENGLAND	✓(6)				
SPEAKER	✓			1x BUDGET BRIEF	
CHIEF WHIP	✓				
BRIAN DYER (FOR PS/SPEAKER)				1x SPEECH	
PRESS GALLERY				30x SECTIONED SPEECH, 30x SNAPSHOT	
PA GALLERY				1x UNSTAPLED	
ITN				16x SECTIONED SPEECH, 2x UNSTAPLED	
(NIGEL DACRE ITN BUDGET PROGRAMME)		✓			
(ECONOMICS EDITOR CHANNEL 4)		✓			
BBC TV				11x SECTIONED SPEECH 2x UNSTAPED	
(PRODUCER BBC BUDGET PROGRAMME)		✓			
(JAMES LONG BBC ECONOMICS EDITOR)		✓			
BBC RADIO				11x SECTIONED SPEECH 1x UNSTAPLED	
(BBC ECONOMICS CORRESPONDENT)		✓			



RECIPIENT	PACK A	PACK B	PACK C	OTHER	TIME TO BE DELIVERED
TABLE OFFICE	√(2)				] TO RICHARD SAVAGE <u>BY 3.00PM</u>
H/C LIBRARY		√(4)			
H/L LIBRARY		√(4)			- VIA <u>TONY LYONS BY 3.15PM</u> FOR PAGE BY PAGE DISTRIBUTION
BUTTERNORTHS				2 x RESOLUTIONS	] TO BE COLLECTED <u>FROM ENQUIRY ROOM AFTER SPEECH</u>
HANSARD				1 x SPEECH	
NEDO		√(3)			- <u>IN ADVANCE OF SPEECH VIA MR MONCK</u>   MR NYNNONEN
TUC		√(3)			] TO BE COLLECTED <u>FROM ENQUIRY ROOM AFTER SPEECH</u>
CBI		√(4)		+ 1 RESOLUTION	
NICG		✓			] TO BE DISPATCHED <u>WHEN CHANCELLOR SITS DOWN</u>
CONSERVATIVE RESEARCH DEPT		✓			
(CABINET MEMBERS				17 x SPEECH, 17 x FGBR	] BY DIPLOMATIC BAG
(EXCL PM. CX. CST. LPC. LPS)					
MR F CASSELL (WASHINGTON)	√(3)			ONLY 1 x SPEECH, 1 x BUDGET BRIEF	] AT 2.30PM TAKE PACKAGES TO FP. Rm 44/1
MR D BOSTOCK (BRUSSELS)	√(3)			4 x FGBR, 1 x BUDGET BRIEF	
DIRECTOR BIS (NEW YORK)	✓			1 x BUDGET BRIEF	
BRITISH EMBASSY (PARIS)	✓			1 x BUDGET BRIEF	
UKDEL. OECD	✓			1 x BUDGET BRIEF	] IF 2 COLLECT PACKAGES FROM THE CHANCELLOR'S OFFICE AT 3.30PM. IF DELIVER TO ENQUIRY ROOM FOR COLLECTION WHEN CHANCELLOR SITS DOWN
TCSC		√(5)			
AMERICAN EMBASSY		✓			
AUSTRALIAN H.C.		✓			
BELGIAN EMBASSY		✓			
CANADIAN EMBASSY		✓			
DANISH EMBASSY		✓			
FRENCH EMBASSY		✓			
W. GERMAN EMBASSY		✓			
GREEK EMBASSY		✓			
IRISH EMBASSY		✓			
ITALIAN EMBASSY		✓			
EMBASSY OF JAPAN		✓			

RECIPIENT	PACK A	PACK B	PACK C	OTHER						
EMBASSY OF LUXEMBOURG		✓								
NETHERLANDS EMBASSY		✓								
NEW ZEALAND H.C.		✓								
NORWEGIAN EMBASSY		✓								
PORTUGEGE EMBASSY		✓								
SPANISH EMBASSY		✓								
SWEDISH EMBASSY		✓								
SWISS EMBASSY		✓								
TURKIGH EMBASSY		✓								

TIME TO BE DELIYERED

IF 2 @ COLLECT PACKAGES FROM THE  
 CHANCELLORS OFFICE AT 3.30PM.  
 IF DELIVER TO ENQUIRY ROOM  
 FOR COLLECTION WHEN THE CHACELLOR  
 SITS DOWN.



ANNEX IV

RESPONSIBILITIES FOR DISTRIBUTION : IDT

RECIPIENT	WHOLE SPEECH	SNAPSHOT	FSBR	C&T SUMMARY & GUIDE	HMT PRESS NOTICES	OTHER DEPT PRESS NOTICES	EPR SUPPLEMENT					
PRESS GALLERY	105	130	70	70	70	70	70					
OVERSEAS REPS	10	10	—	—	—	—	—					
FLEET ST PRESS	165	165	165	165	165	165	165					
NON-PRESS	220	220	220	220	220	220	220					
DEPT'S PRESS OFFICES	18	18	18	18	18	18	18					
HMT MAIL LIST	—	—	—	—	116	—	116					
(IDT, SPARES, INCL ENQUIRY ROOM)	15	20	30	10	50	30	—					
FFTG	20	20	20	20	20	20	20					
TOTAL	553	583	523	503	659	523	609					

## ANNEX V

## RESPONSIBILITIES FOR DISTRIBUTION: PARLIAMENTARY SECTION

## RECIPIENT

PS/SPEAKER  
SPEAKER  
CHIEF WHIP

1 x SPEECH  
PACK A  
PACK A

TO BE GIVEN TO BD BY CHANCELLORS OFFICE

JOURNAL OFFICE

6 x FSBR  
6 x CST SUMMARY + GUIDE

- FROM FP  
- FROM GEP (C KNIGHT)

TABLE OFFICE

2 x PACK A

FROM CHANCELLORS OFFICE

VOTE + PRINTED PAPER  
OFFICE

1150 x SNAPSHOT  
1150 x HMT PN'S  
1150 x OGDPN'S  
1150 x EPR SUPPLEMENT

FROM COMMITTEE SECTION

BUTTERWORTHS

2 x RESOLUTIONS

FROM CHANCELLORS OFFICE

H/C LIBRARY  
H/L LIBRARY

4 x PACK B  
4 x PACK B

FROM CHANCELLORS OFFICE



copy of X pl. m.

BLO

BUDGET - IN CONFIDENCE



CH/EXCHEQUER	
REC.	24 FEB 1988
ACTION	
COPIES TO	

Caxton House Tothill Street London SW1H 9NF

Telephone Direct Line 01-273 3003.....  
Switchboard 01-273 3000 GTN Code 273  
Facsimile 01-273 5465 Telex 915564

not to be sent to man

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

HM TREASURY - MCU DR	
RECD.	24 FEB 1988
ACTION	Mrs Burnham FP
	cc CHX, CST, EST, PMG, EST, Sir P MIDALSTON, Sir T Burns, Mr Selous, Mr Culpin, Miss Risco, Miss Sinclair, Mr McIntyre
SIGNATURE	CHX
REF No.	15293/88

23 February 1988

Nigel

Work done X -  
No 15 op km -

BUDGET 1988

X | Before Christmas I wrote to you setting out some proposals for measures to help small businesses that I hoped you might consider in preparing your Budget statement. Since then there have been reports that you may be considering some fundamental restructuring of the taxation system. In the light of this, I am writing to ask that you bear in mind the possibility of improving the position of those caught in the unemployment trap.

In general, as you know, the unemployment trap affects single people with low earnings potential and single earner families with up to average earnings potential. Some of these people may be better off on benefit than working when work related expenses are taken into account. Others may believe they are better off on benefit, even though in work benefits mean they would not be. Further efforts to tackle the problem are an essential part of our strategy to maintain the downward trend in unemployment.



The introduction of the new reformed benefit system from April will do much to reduce the effects of the trap. It will mean that virtually no one need be worse off for having taken a job. The fact that Family Credit and Housing Benefit will be calculated on net rather than gross income does of course lessen the impact of any tax or National Insurance changes on the unemployment trap. But what tax and National Insurance reform can do is lift a number of families above the Family Credit and Housing Benefit thresholds altogether, thereby reducing long-term benefit dependency. It can also provide genuine incentives to the substantial numbers of people who though eligible for Family Credit may not claim it. And there will always be some people whose perceptions centre on take home pay rather than total income support.

I can see three broad options for helping people in the unemployment trap relative to other earners which you might wish to consider further. Each option could be combined with any of the others. All could be modified to take account of available resources.

The first is simply to increase personal income tax allowances above the normal indexation. Those on low earnings or families with children earning less than £150 a week gain relatively more from an increase in personal allowances than from a cut in basic income tax.

The second option is to pursue the idea of partially transferable allowances to husbands from non-working wives. I gather you may in any case be looking at this area. The only point I would make is that the larger transferable allowance, the greater the help it would provide for single earner families.

Finally, possible changes in the structure of National Insurance Contributions. The banding system implemented in 1985 has gone some way towards reducing the poverty trap created by the "cliff-edge" entry into NI liability. But there can still be incidences of marginal rates of deduction of over 100% at the borders of the new bands. More importantly, the proportion of gross income taken by National Insurance from those on below average earnings is in my view still too high. I would therefore like to see employees' contributions being calculated by applying the rate to earnings within a particular band, rather than to all earnings above a threshold (in the same way as income tax is calculated now). I recognise that this would be costly but it would have a major effect on the unemployment trap and would lift a large number of families out of benefit dependency altogether. There might have to be some balancing increase in contributions at higher income levels.



The measures I have outlined would provide useful steps towards a more rational system of taxation and benefit for low income families. They would reduce the extent to which we are seen to take with one hand and give back with the other. And they would increase the incentive to take up lower paid jobs. If you wish, my officials would be happy to discuss these ideas further with yours.

*John G. ... Norman Fowler*

NORMAN FOWLER

*They can forgive what I said in  
Cabinet — I do believe that we  
have a great opportunity now to  
get many more people back to work.  
Anything we can do on incentives  
would be of immense help.*

UNCLASSIFIED



FROM: A A DIGHT

DATE: 24 February 1988

MR P J CROPPER

**CHILD POVERTY ACTION GROUP**

The Chancellor has seen and noted your minute and enclosures of 22 February.

A handwritten signature in cursive script, appearing to read "A A Dight".

A A DIGHT

1. THE BUDGET

"There is no doubt that in his forthcoming Budget, Mr Lawson will have money to spend and the central question is how it should be spent. The Labour Party believes that his overwhelming priority ought to be the proper financing of the National Health Service and he ought to allocate a minimum of £2 billion in additional resources. It cannot seriously be argued that it is not required. Evidence flows in from all sources and is corroborated by personal experience throughout the nation - that the hospital service is desperately handicapped by lack of funds. I do not believe the three Presidents of the Royal Medical Colleges were in anyway exaggerating when they described the hospital service as "near breaking point". So Mr Lawson has the money. The NHS needs it. And all public opinion surveys show it is the public's top priority. The conjunction of these three factors ought to make the case for saving the NHS irresistible.

With the rest of the money the Chancellor ought to give priority to measures to halt the decline in public service, to strengthen the productive and competitive economy particularly in the regions, and to introduce more fairness and justice to our tax system. These are more important priorities than cuts in the rates of tax particularly at the higher levels. It is likely that once again the very rich will do very well from the Budget. Yet two weeks or so later major changes in social security provision will mean that about one million people currently receiving housing benefit (many of them elderly) will become ineligible for assistance. Those whose incomes are too low to pay tax will not only gain nothing from a cut in tax rates: they will be hit below the belt by the social security changes which



as Joe Rogaly of the Financial Times observed will turn "paupers into debtors".

If the Chancellor wants to reform the tax system he could start by wiping out the loopholes and the tax havens and thereby lessening the burden on the ordinary taxpayer: he could by using adjustments to allowances spread the burden more fairly among us all; and he could start to eliminate the poverty traps which at the bottom of the scale lock so many of our fellow citizens in hopelessness.

## 2. THE CHANGES AHEAD

British politics will see an important change in emphasis and the priorities of public debate as this Parliament runs forward. Mrs Thatcher may have won three elections but Thatcherism has not taken root in Britain. When she said "There is no such thing as society, there are only individuals and families", she did not speak for modern Britain. I believe people do care about the quality standards and priorities of the Community and are not inclined to withdraw into a world of private concerns and private provisions. When resources are available - but they are not used for desirable public ends - the question of what is a proper set of priorities comes straight into the foreground of debate. Questions of fairness and social justice, which have not been much talked about in recent years, will, I believe, increasingly concern the public and politicians. I hope that the Labour Party, as we develop our policies for the 1990's, will catch that change in mood and outlook. It is not - and I think this will be the mood of the 1990's - a contest between care and economic growth. The task of a modern society is to achieve both. The Labour Party accepts that we have little chance of achieving a fairer distribution income on wealth on anything other

than a rising curve of prosperity. We must work to create the resources as well as to see they are more fairly enjoyed throughout the whole community. They are not inconsistent. A modern system of education and training is not just a public service which promotes personal development and therefore scores in the equity scale: it is crucial to a sensible strategy for industry and an essential prerequisite of a competitive economy.

This change in mood is just beginning. Some of the gross unfairnesses of our present condition will no doubt be aggravated - and seen to be aggravated - by the priorities of a budget speedily followed by savage social security cutbacks. They will be even more dramatically illuminated by the poll tax. This is not just a tactical blunder, an ill thought out error such as occurs in the life of every elected government. It is a gross strategic error. In its injustice and unworkability it will be seen to typify so much that is wrong with Thatcherism. It will, with many other events, assist the British people to conclude that we need a change for the nineties."



*Handwritten initials*

FROM: J M G TAYLOR

DATE: 9 March 1988

MR CROPPER

cc PS/Financial Secretary

Mr Byatt

Mr Culpin

Mr R I G Allen

Miss Sinclair

Mr McPherson

Miss Hay

Mr Isaac - IR

Mr Corlett - IR

Mr Beighton - IR

Mr Kuczys - IR

PS/IR

**BUDGET WARNING OVER PENSIONS**

The Chancellor has seen and noted your minute of 8 March.

*Handwritten signature*

J M G TAYLOR



A handwritten signature in dark ink, appearing to be 'MWP'.

FROM: MOIRA WALLACE

DATE: 9 March 1988

SIR P MIDDLETON

cc PS/Chief Secretary  
PS/Financial Secretary  
PS/Paymaster General  
PS/Economic Secretary  
Mr R I G Allen  
Mr Pickford  
Mr Cropper  
Mr Tyrie  
Mr Call

**PRE-BUDGET ANNOUNCEMENTS**

The Chancellor has seen Mr Allen's minute of 8 March. He does not see a problem with the Standing Committee Debate on the Social Security Order, which is a necessary and routine matter, and a consequence of the Autumn Statement. Even if there were to be changes in NICs in the Budget, they could not come in until the Autumn, and the Order will still be needed in its present form to cover the period April to November.

A handwritten signature in dark ink, appearing to be 'MWP'.

MOIRA WALLACE

# Council for the Protection of Rural England

BF 25/3  
Pup

4 Hobart Place, London SW1W 0HY  
tel: 01-235 9481

Patron: Her Majesty the Queen President: David Puttnam CBE  
Chairman: David W Astor Director: Andrew Purkis

AP/ID

The Rt Hon Nigel Lawson MP  
Chancellor of the Exchequer  
H M Treasury  
Parliament Street  
SW1P 3AG

*Post letter not suitable  
Lawson's budget  
(6/11/88) kept  
Pup*



18 March 1988

CH/EXCHEQUER	
REC.	23 MAR 1988 23/3 ✓
ACTION	MR MONCK
COPIES TO	PS / FST
	MR BONNEY

Dear Chancellor

I should like to pass on CPRE's congratulations on your Budget announcement on forestry. We were very pleased that your statement appeared to follow the broad thrust of CPRE's budget submission to you, which we discussed with Norman Lamont. CPRE firmly believes that this reform will prove beneficial both to the countryside and to the long-term future of the forestry industry.

CPRE also welcomes most heartily the commitment in your Budget speech to a better balance between broadleaved trees and conifers. With the new grants to be announced next week in mind, I should like to make a further specific suggestion to you and your colleagues in other relevant Departments.

CPRE has, on the whole, been satisfied with the workings of the Broadleaved Woodland Grant Scheme (which encourages the replanting or regeneration of the country's existing broadleaved woodlands as well as planting new ones). We hope that key elements of this scheme will be carried through into the new arrangements, particularly the existing requirement that the area to be grant-aided should be 100 per cent broadleaf.

Furthermore, annual hectare payments for woodlands proposed for the Farm Woodland Scheme (due to be discussed at the Commons Committee stage of the Farm Land and Rural Development Bill next week) have also been warmly welcomed by CPRE. Indeed the principle of such payments has been long promoted by CPRE. Unfortunately these payments are currently only intended for newly-created plantations. CPRE hopes that the opportunity can now be taken to extend these management payments to the management of existing woodland, particularly ancient semi-natural woodlands.

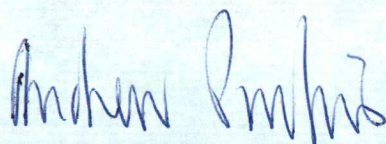
These woodlands, which are generally farm woods, are a considerable asset which is frequently badly used and whose value for a range of purposes is diminishing as a result. CPRE

believes that extending annual hectarage payments to these woodlands would reverse this wasteful deterioration.

This change could be achieved by amending Clause 2 of the Farm Land and Rural Development Bill and would be widely welcomed. I am of course writing on this point to the Minister of Agriculture, the Secretary of State for the Environment and to the Forestry Commission.

Once again, our thanks for the reform of the forestry tax concession, something that CPRE has worked for over many years.

Yours sincerely

A handwritten signature in blue ink, appearing to read "Andrew Purkis". The signature is written in a cursive style with a large, looping initial 'A'.

Andrew Purkis  
Director