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cc. C-O.

File AH

10 DOWNING STREET

From the Principal Private Secretary

26 May 1981

Dear John,

TIMETABLE AND KEY DECISIONS TO CHRISTMAS 1981

The Prime Minister has seen the Chancellor of the Exchequer's minute of 19 May 1981 about the key decisions on public expenditure that have to be taken between now and the end of the year.

She is content that Cabinet should consider on 23 July the Chancellor's preliminary proposals for public expenditure and what preliminary guidance, if any, might be given before the recess to local authorities for 1982-83. The Prime Minister and the Chancellor of the Exchequer will of course have returned from the Economic Summit in Ottawa only the day before this Cabinet meeting, and to ensure that the Prime Minister has had time to prepare herself for the discussion, the papers will have to be circulated in advance of her departure for Ottawa.

As regards meetings in September, the Prime Minister already has appointments for 16 September and she would therefore prefer the meeting of Cabinet to discuss the cash inflation factors and, if possible, the totals for the various local authority services to be on 15 September. If further discussion is needed on 24 September, when the Chancellor will be in New Zealand for the Commonwealth Finance Ministers' meeting, she is content for the Chief Secretary to take the lead for the Treasury.

The Prime Minister agrees that Cabinet should have a further meeting in mid-October both to have another macro-economic discussion and to give consideration to detailed proposals on public expenditure but she sees considerable difficulty in having this discussion on 12 October. She will be away for the Commonwealth Heads of Government meeting from 30 September to 7 October, with the date of her return still uncertain, and the Party Conference starts in the week beginning 12 October. If the Chancellor's papers were to be discussed at a meeting of Cabinet on 12 October, they ought to be circulated no later than the evening of Wednesday 7 October. But this would mean that the Chancellor would have no opportunity to discuss them beforehand with the Prime Minister (and it would not even be possible for him to discuss them provisionally with her before she leaves for Australia, since he is himself in New Zealand and Washington from 21 September to 2 October). Moreover, there

CONFIDENTIAL

AH

CONFIDENTIAL

- 2 -

could be disadvantage in a discussion of economic strategy immediately prior to the Party Conference if it became known that the Cabinet had had such a discussion and leaks and rumours suggested that there was a division of opinion. A Cabinet meeting on 19 October would avoid that problem and give the Prime Minister time to discuss the options with the Chancellor. For those reasons she prefers to go for 19 October rather than 12 October.

The Prime Minister is content that the final round of detailed discussions in Cabinet should start on 29 October and continue thereafter until decisions are reached.

To summarise, the Prime Minister thinks that we should earmark Thursday 23 July, Tuesday 15 September, Monday 19 October and Thursday 29 October plus such dates in November as are necessary for Cabinet meetings on public expenditure.

I am sending a copy of this letter to Robert Armstrong.

Yours sincerely,

Muri Latham

John Wiggins Esq.,
H M Treasury.

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