

~~SECRET~~

CONFIDENTIAL

Following for Prime Minister from Robert Armstrong

I have now agreed with the Home Secretary and with the Chancellor of the Exchequer the composition for the Home Secretary's small group on public expenditure as follows: Home Secretary, Secretaries of State for Scotland and Industry, Chief Secretary, and Chief Whip.

2. This differs from the list you provisionally agreed with the Chancellor in leaving out the Chancellor and substituting Michael Jopling for Norman Fowler.

3. The Home Secretary felt that it was overweighing the Treasury element to have both the Chancellor and the Chief Secretary; and I think that he also felt that the Chancellor's seniority would cramp his style as chairman. The Chancellor is

content, on the understanding that ~~the~~ the
Chief Secretary ~~and~~ ~~spe~~ as well as
Spending Ministers will ~~be~~
~~reserve the right to~~ have rights
of appeal, and will be entitled to
reserve their positions for Cabinet if
they feel it necessary. This will give
the Chancellor a ^{position} ~~position~~ to become
involved at the appeal stage.

4. The Home Secretary felt that Norman
Fowler's departmental interests were too
closely involved for him to be on the
group: it will have to discuss some
difficult issues in his field, and
other Spending Ministers would not be
sure of his impartiality, because of
what his department has at stake.

The Home Secretary's first suggestion was the Lord President; we eventually agreed that the Chief Whip would be a better choice.

5. The Chancellor is content, and thinks that as now proposed the group will be a ~~fairly~~ balanced ~~and~~ and effective body.

~~The Home Secretary will be briefed to settle~~

6. If you are content, I should like to get the group set up this week, although it will not now meet until next week.

7. I have also provisionally agreed with the Chancellor that, if we can get local authority consent

expenditure settled by correspondence,
there being no decisions Cabinet
need be asked to take next
week, and ~~it~~ it might be as
well ~~advise~~ to give the Cabinet
a week's respite and not to
return to public expenditure on
29 October. ~~As~~ ~~the~~ The
next discussion would then be
on 5 November.