

PRIME MINISTER

E(LF) ON MONDAY

E(LF) is meeting on Monday at 1430. I have arranged a briefing meeting at 1230 with John Redwood, Oliver Letwin and Brian Unwin.

There are three papers, by Mr Baker, the Chancellor and Sir Keith Joseph. In addition Mr Ridley has written to support Mr Baker's proposals, though noting one or two second order points, and Mr King has written to say that he will need to consider the implications for Northern Ireland. I am not including these letters for you.

The Cabinet Office and Policy Unit have prepared briefs (flags A and E), each admirable in its different way.

I would add three points.

First, the Cabinet Office and Policy Unit point to the need for an inter-departmental study of the interactions between the social security proposal, the local authority financial proposals and the Chancellor's tax proposals. I see a case for this. But it is likely to be slow, and risks being used as an excuse for delay as well as creating problems of confidentiality - it will produce some very sensitive material. I suggest that at least as a first stage the Treasury should be asked to carry out a quick and necessarily crude study, to be completed before the next meeting of MISC 111, scheduled for 15 October. If you agree, and subject to the outcome of E(LF) I would commission this on Monday.

Secondly, there are timetable questions. The meeting of MISC 111 is on 15 October, awkwardly between the Party Conference and CHOGM, because Mr Fowler aims to publish their White Paper in 13 November. It looks as though the social security legislation has to have its second reading by Christmas if the

proposals are to be implemented on 1 April 1987. On present plans the local authority finance proposals may not appear until the New Year. In that case the House and interested commentators would say that they had been deprived of important information, necessary to understanding the Bill. An example is that Mr Fowler's proposals take people out of housing benefit, whereas Mr Baker's bring 700,000 people into it. This may not be an overwhelming problem but it needs to be considered if the Government's proposals are to be accepted as having been planned coherently. Can the Green paper on rates be brought forward or should Mr Fowler trail the local authority finance proposals in discussing his own reforms? An earlier Green Paper would obviously be much better.

Thirdly, the transitional proposals will be very important. The three groups of measures will be phased in over as much as five years.

*DN*

David Norgrove  
20 September 1985