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(on the latter, I expect I'll be  
getting an advice (i.e.).

But you might also like to cast  
an eye over the Paris proposal  
during. I do know good long  
bilateral steps are crucial -  
I know an earlier step than  
J. Kew suggests.

Keesel.

7/1/86



FROM: J O KERR

DATE: 15 March 1984: *filed*  
*under date of covering*  
*minute 7.1.86*BUDGET PREPARATIONS: PRIVATE OFFICE GUIDELINES

The Guardian leak apart, the Chancellor was well content with the way in which the Budget preparation exercise was handled this year, and has in particular confirmed that he sees value in the two innovations made since his days as Financial Secretary - ie the early weekend "Chevening" conference, and the regular pattern of formal "overview" meetings. Following the leak enquiry, and before next year's preparations start, it will be necessary to establish with him whether for security reasons he wishes to move closer to a system of making the Budget in water-tight compartments, with only a very few individuals having the run of the whole ship. These notes are descriptive of the current practice; and would need to be reviewed in the light of any decision to tighten internal security.

Initial Preparations

2. The first point to note is that it is essential to make an early start. This year the Chancellor had constructed by early September his private list of the main candidate tax reforms; and most items on his list saw the light of day on 13 March. Of course one has at that stage very little feel for how much forecast room for manoeuvre there will be; but it is possible, and highly desirable, to arrive at a rough allocation of priorities. It is not necessary - or I think desirable - for the Chancellor's preliminary thoughts to be disseminated at all; though he will wish to discuss them with the Permanent Secretary at various points in the autumn. Having a rough plan up his sleeve does however help him to guide Treasury Ministers on the areas of reform which they should be pursuing with the Revenue Departments: it is also useful to him in deciding how best to play discussions in No 10, Chequers seminars, and - next year - the involvement of Lord Cockfield on tax reform. Given that October and early November tends to be much taken up with Survey



and then Autumn Statement issues, it is important to get cracking in September (and therefore not to let the CFM/G5/G10/Interim Committee/Development Committee/IMF/IBRD meetings obtrude too much).

### Chevening

① 3. The FCO are already aware that the Chancellor will wish to hold another Chevening conference next January. Dates should be settled, and a firm booking made, before the summer break. Negotiations should be conducted between Private Offices, after discussion between the Chancellor and the Permanent Secretary; and the outcome should be confirmed in a short letter from the Chancellor to the Foreign Secretary (whose house Chevening notionally is).

④ ⑧ ⑨ 4. The three previous such conferences have taken place on the first or second weekend after the Christmas break. With the likelihood of an April Budget next year - and that is a decision which ought if possible to be settled very early on, though the announcement is not made until the first Thursday after Parliament's return from the Christmas recess - it might be possible to consider moving one weekend later. But it would still be important to ensure that the key paper - by Sir T Burns - is available for Christmas reading.

⑤ ② 5. The Chevening agenda is drawn up by the Permanent Secretary in consultation with the Chancellor. So too is the invitation list - ~~or at least~~ <sup>is the</sup> names of those in addition to Ministers, Permanent Secretaries and Special Advisers, who are to be invited to come for all/part of the weekend. (It is important to let Ministers and Permanent Secretaries know in the summer of the chosen date: if there were to be any absentees, much of the point of the exercise would be lost. A decision on whether wives are, as in the past, to be invited also has to be taken.)

⑦ 6. The Chancellor and the Permanent Secretary have agreed that for future Chevenings all papers will be circulated to Ministers at least one week in advance.



### Overviews

7. Since 1982 we have developed a regular practice of Budget "overview" meetings each Tuesday morning, starting 9 days after the Chevening conference. The discipline these impose on the flow of papers and decision-taking is useful: their other primary purpose is to involve the full Ministerial team. So Private Offices need to be told, at Christmas-time, when the weekly series will start, and to be reminded that "overviews" are to be treated as virtually unbreakable engagements.

8. The agenda for each "overview" should be decided on the preceding Wednesday/Thursday; and all those commissioned to produce papers for it should be reminded - again on the Wednesday/Thursday - that such papers must reach the offices of all "overview" members by the Friday night. A formal agenda notice should go round on the Thursday/Friday. The Monday should be used for small meetings - eg of Ministers, or between the Chancellor and the Permanent Secretary - on particular issues to be taken on the Tuesday. People should be discouraged from raising at the "overview" issues emerging from papers not mentioned on the agenda notice. All "overviews" should be formally recorded, with clear action instructions.

9. The permanent membership of the "overview" team is clearly a matter which will have to be reviewed following the leak.

10. A permanent feature of each "overview" agenda should be a score-card minute from the Central Unit, produced on the previous Friday and incorporating all Budget decisions taken up to then.

### Cabinet

11. The November Economic Cabinet does not, and should not, have much Budgetary significance. The February Economic Cabinet is however crucial, not least because it can have substantial impact



(SB) on the parameters of the eventual PSBR decision. Its date needs to be fixed with No 10 and the Cabinet Office before Christmas - and a late Budget could mean a move from the early February dates of recent years to a mid-February date. But it is worth bearing in mind that the closer the date gets to Budget day, the greater the risk that the Chancellor will be pressed to show a little of his hand. The scope of the Chancellor's paper needs to be decided quite soon after Chevening: the 1983 and 1984 papers followed a similar pattern, and were well received. The paper must of course be cleared in advance with No 10.

12. The Budget Cabinet - ie on the morning of Budget day - has not caused problems since 1981. No paper is, of course, circulated.

Prime Minister

(S) 13. The Chancellor ought if possible to have an opportunity for a long private talk with the Prime Minister in late January/early February about the probable broad outline of the Budget. This was contrived in No 11 in 1984, and worked extremely well. When all the main Budget measures have been settled internally - and this ought to happen at the latest some 2½ weeks before Budget day - the Prime Minister's formal endorsement should be obtained through a series of formal minutes from the Chancellor. There were 6 such minutes in 1984: they deserve very careful drafting. Some attention to timing is also desirable: the Chancellor's weekly "bilateral" talks with the Prime Minister, which for much of the year are movable feasts, and sometimes quite short, need in the key period - ie 2-4 weeks before the Budget, to become very firm entries in both diaries, and must not be rushed. The Chancellor's minutes should be timed to arrive fairly early on the afternoon of the day before the "bilateral" in question, so that the Prime Minister has time to digest them before she sees the Chancellor.



14. Budget secrecy in No 10 is good, and strictly observed. In previous years Sir A Walters was an "overview" member: in 1984 we were not asked to, and did not, extend this facility to Mr Redwood. He - but none of his Political Unit staff - did however see the Chancellor's minutes. The only Private Secretaries who did so were Mr Butler and Mr Turnbull. Mr Ingham was brought in only to be shown a Speech draft on the Thursday before Budget day.

#### Cabinet colleagues

(2) 15. In early February the Private Office must, after consultations, draw up a list of all those Cabinet colleagues who have to be consulted on individual Budget measures. Except when the matter is highly technical, such consultations go best in No 11, in great Budget mystique, and with no officials present. The most obvious exception is oil taxation, where an existing Working Group of Revenue/Treasury/Energy officials has a good tradition of reaching agreements, without leaking.

3A 16. For Budget '85, special arrangements will have to be made for Lord Cockfield. I suspect that the Chancellor will wish him to join all main internal meetings on the Capital Taxes, and some on personal tax, but will not wish him to become a permanent member of the "overview" team. This however needs to be confirmed in the autumn.

#### Chancellor's diary

17. It is important to ensure that the diary is kept reasonably free from extraneous engagements/meetings in the Budget period. Budget "purdah" provides a good excuse for turning down all social lunches/dinners, all speaking engagements, and press activities from early February. But a free ½ day should be preserved in each week once the "overview" season has started, in order to allow the Chancellor to focus in No 11 on key Budget issues, rather than doing so via the



overnight box, with no officials around for informal discussions. Either 17 or 10 days before the Budget, the Chancellor should be given a 3 day weekend at Stony Stanton to work on the Speech. (17 days <sup>in advance</sup> would be best, but 10 days worked perfectly well this year.)

### Budget Speech

18. The preparation and circulation of early drafts of the Budget Speech is a Central Unit task. (I think it very likely that the circulation will be much reduced, following this year's leak.) The Private Office take over the Speech as soon as all the main Budget measures have been decided - ie some 2½ weeks before Budget day. Its preparation becomes the principal task in the last week.

19. The Chancellor likes to write - ie re-write - all his own stuff. But it helps if the Private Office produce formulae along lines that may be broadly acceptable to replace obviously unusable chunks of (eg Revenue) gunge. And the Private Office must of course clear, with the key officials concerned, formulae emerging from No 11, whether constructed by the Chancellor or constructed in the Private Office and blessed by him.

20. The text must be completed over the weekend before Budget day. That means that the final draft has to go round on the preceding Thursday, and the provisional final version on the Saturday. No 10 should get their draft by the Wednesday at the latest, and should then see succeeding versions.

### Handling the Revenue Departments

21. The Private Office need to be particularly careful during the Budget period to keep in very close touch with the heads of the Revenue and Customs. Both need to be aware of all meetings on their subjects which will involve the Chancellor, and to be given the opportunity to attend. Both need to be consulted each week about the "overview" agendas; and it pays <sup>for the PPS</sup> to have a separate informal



weekly conversation to enable both to mention any worries not being brought out in the papers. And Customs need to be asked - in early February - to produce a private list of their real deadlines for excise duty and VAT decisions; and need to be made to feel that this remains the top paper in Private Office trays throughout.

#### Handling other Treasury Ministers

22. Extended "Prayers" meetings, without PPSs, are useful in January - pre- and post-Chevening, and at least once or twice during the final run-up to the Budget. In the last month, the normal form should be for normal "Prayers" meetings to be two-part, with the PPSs being thrown out at half-time to allow for some discussion of Budgetary matters thereafter.

23. The key point is to ensure that all Ministers (a) feel fully involved in the whole Budget process; and (b) are clear as to the precise tasks which have been delegated to them, and when their recommendations will be required. Informal liaison between the Private Office and other Ministerial Private Offices, usually on a nightly basis, is important in the last few weeks.

#### Budget Day Arrangements

24. The press razamataz needs to be pre-planned, at least a couple of weeks in advance. Timings for the Finance Committee and Lobby engagements need to be watched. And work on the Budget Broadcast should start very early on. (The first step is for the Chancellor to confirm to Mr A Jay in early January that his assistance would again be welcome; in February - or for an April Budget early March - preliminary decisions need to be taken on charts and graphics; a script for the first half (ie not covering the measures) needs to be with Mr Jay at least 2/2½ weeks before the day; and weekly meetings to check on progress should be set up. Mr Folger and Mr Portillo carried the main load this year: with considerable success.)

*JOK*

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