

CONFIDENTIAL

Briefing

PRIME MINISTER

J.N.O.C. £1m a day
Formula system of rates.

B' bench Education
Committee.

Bilateral

Public Expenditure

The Chief Secretary's minute indicates the pressures which the Treasury is under. Between you, you, the Chancellor and the Chief Secretary will have to resist strongly any future claims on the contingency reserve, as you did today with the "switch". The next difficulties will be:

- i) student grants where 80 Government backbenchers have signed an Early Day Motion. I detect signs of nervousness on the part of the Party managers. The Government has a good case which Sir Keith is deploying resolutely.
- ii) local authority capital expenditure where the Chancellor's meeting ended in disarray after the Department of the Environment came forward with proposals which would have permitted an overspend of up to £1.9 billion.

Banking Failures

It might be helpful to discuss Alan Walters' note with the Chancellor. There are, in fact, a number of arrangements agreed between central banks for handling such cases. The question is whether they are adequate or whether the mechanisms exist to detect problems in time.

Markets

The pound has been weak in the last few days, probably on account of oil though the dollar has risen despite declining interest rates in the US. So far, the reduction in UK interest rates has been held and the stock market has been buoyant.

Duty Clerk.

PP Andrew Turnbull
28 November 1984