

PRIME MINISTER

BILATERAL WITH THE CHANCELLOR

(1) Review Body Reports

Ministers are discussing these on Wednesday. The Cabinet Office brief will arrive during the course of the day but you should have a chance to look at it before meeting the Chancellor. The recommendations are compared with those made last year. The percentages for Armed Forces and Doctors and Dentists are lower, but still considerably above offers to most other public sector groups. The nurses' figure is high as is the additional cost to the pay bill. In the case of PAM's the increase in the pay bill is small but the percentage increase is exceptionally high.

(2) Local Government Finance

You are aware of the Chancellor's reservations about building up expectations, especially about a poll tax.

(3) Gilts Prospectus

Treasury wish to issue a statement which will clarify the status of the gilts prospectus and hence avoid the problem the Government encountered in February where its legal advice was that by the time you have thought of doing something you should have informed the markets. Treasury are having difficulty with the Bank of England who fear such a statement might not be regarded as "clarification" but a unilateral change in the terms of the prospectus. The Chancellor will report on his discussions with the Governor.

The Chancellor may also mention a matter connected with the Palace.

HS

3 May 1985

REVIEW BODY RECOMMENDATIONS

	1984		1985	
	%	cost	%	cost
Nurses	7.5	£228 million	8.6	£286 million
PAM's	7.8	£ 18 million	12.1	£ 32 million
Doctors & Dentists	6.9	£118 million	6.3	£122 million
Armed Forces	7.6	£198 million	7.06	£205 million
