

PRIME MINISTER

MEETING OF E(LF): 22 JUNE

There have been a number of further developments in the last couple of days. But I suggest that the handling of tomorrow's meeting remains essentially as set out in my earlier note of 19 June immediately below this one. In brief:

- split the discussion into two parts, first the overall figures for total standard spending and Aggregate External Finance; and second the safety net.
- on the overall figures, aim to reach agreement on the Ridley/Major package;
- on the safety net, have a Second Reading Debate and then commission further work for the next meeting. Do not refer (even to Nick Ridley) to the further work that John Major is privately carrying out.

The full set of papers for the meeting now is:

Flag A - Nick Ridley's first paper, E(LF)(89)3.

You saw an earlier draft of this. I suggest you ignore all the material in this paper on the safety net, ie paragraphs 14-23 and the confusing Tables 2 and 3 at the back. All this material is overtaken by the next paper.

Flag B - A further paper by Nick Ridley, E(LF)(89)4, which sets out a number of further variants on the safety net. It also includes a much easier set of illustrations at the back - Table 4 - providing an easy comparison of all the options.

Flag C - A note by Kenneth Baker, E(LF)(89)2, summarising service departments' assessment of needs to spend.

Flag D - Handling briefing by the Cabinet Office.

Flag E - Briefing from John Mills in the Policy Unit.

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For your private information, I understand that John Major does think it would be possible to come up with a supplementary safety net package on the lines Richard Wilson and I discussed with him the other day. This would involve extra Exchequer finance (which he puts at £75 million) targeted on areas of low rateable value in Lancashire and Yorkshire. He will also be prepared to agree some further supplement to an ILEA grant. We have yet to see any figures. But I would guess that this supplementary package superimposed on the Column 8 variant of the safety net in the Flag B paper could produce a good outcome.

PGC.

PAUL GRAY
21 June 1989

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