

PRIME MINISTER

Your Meeting with Sir Keith Joseph

Your meeting with Sir Keith Joseph who will be accompanied by Mr Hancock, has three purposes:

- (i) In his minute of 21 March Sir Keith said that he was worried that certain large expenditure programmes were not being examined radically enough in order to release resources either for reducing taxation or for increasing expenditure in other areas where worthwhile opportunities had been identified. He was concerned that identification of option savings in the course of the Public Expenditure Survey would not allow sufficient reordering of priorities. Your aim should be to assure him that substantial areas of public expenditure are now under review with the intention of identifying worthwhile savings. Some of these reviews are public, eg. social security but he will know of the existence of others, eg. agriculture and the territorial programmes. You might, however, like to bring him into the know on these. He may be aware that you considered a Seminar of colleagues on public expenditure priorities but finally decided, partly on grounds of diary pressure and partly because of concern that it could turn into a bidding session for additional resources. You should try to convince him that the present clutch of reviews provides a better prospect of securing savings and allowing a shift in priorities to take place.
- (ii) He has also put forward proposals for an extra £300 million a year for his own programme. While you should be prepared to listen to his case, you should indicate that he should discuss this with the Treasury as a bid for additional public expenditure. In doing so, however, you can indicate your scepticism, particularly in the case for more money to finance a new pay structure for teachers. A brief on (i) and (ii) has been provided by the Treasury.

/ (iii)

- (iii) You have on occasions expressed doubts about whether the DES is fully behind its Secretary of State. I believe both Sir Keith and Mr Hancock will welcome the opportunity to reassure you on this score. I expect they will argue that the relationship has improved greatly since it was decided not to proceed with the voucher scheme. Originally there had been concern in the Department that the Government was interested in raising standards only for the teacher, but since the Sheffield Speech it is now clear that the Government wishes to raise standards across the board and to improve the content of the syllabus. The Department and Ministers fully endorse these objectives.

*DUB*

*PP*

ANDREW TURNBULL

26 April 1984