

PRIME MINISTER

MISC 106

Thankyou - I wonder if we have not missed some possible economies
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MISC 106 begins its work next week. You might like to look at some of the papers. The Chief Secretary's minute, MISC 106(84)1 indicates that savings of

2063

3336

5202

are needed. This means that the Chief Secretary has to secure about 70 per cent of the sums still in dispute if he is to get back to base line.

A glance at the other papers will indicate how difficult are some of the options under consideration:-

i) Social Security.

Treasury is seeking cuts in housing benefit and widows' benefit. They also propose either a delay in the uprating or no uprating for unpledged benefits.

ii) Defence.

Chief Secretary is seeking cuts of £1150m in 1987-88.

iii) Energy.

Chief Secretary is proposing increases in real gas prices of 4 per cent a year and a rise in the rate of return for the electricity industry from the present 1½ per cent to 4½ per cent.

iv) Agriculture.

Treasury are seeking to cut grants to 10 per cent, to halve agricultural research and to cover all

ADAS expenditure from charges.

v) Health.

Chief Secretary is proposing an increase in the prescription charge to £2.50 and some curtailment of exemptions.

vi) Housing and Urban Programme.

Chief Secretary is seeking cuts of £1150m i.e. around 40 per cent in the net housing programme and cuts of about 25 per cent in the urban programme.

You may regard some of these options as unpalatable, even as unacceptable. I do not think, however, that you should intervene at this stage. It will not be until the Star Chamber has completed its work that it will be possible to judge just how difficult politically the necessary choices will be.

AT

12 October 1984