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P.01418

PRIME MINISTER

Public Expenditure: Defence

This note is to summarise where things now stand in the exchange between MISC 106 and the Secretary of State for Defence on his programme. I attach the following:

- ... i. Minute from the Secretary of State for Defence to the Lord President dated 24th October.
- ... ii. Letter from the Lord President to the Secretary of State for Defence dated 29th October.
- ... iii. Minute from the Secretary of State for Defence to the Lord President dated 30th October.

2. The figure for 1985/86 of £18,060 million is agreed. The differences relate to the figures for the two later years and the form of words relating to them which will appear in the Public Expenditure White Paper.

	£ million	
	1986/87	1987/88
MISC 106 proposal	18,564	18,867
Defence Secretary's proposal	18,658	18,961
Gap	94	94

3. The two alternative forms of words are:

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MISC 106 proposal:

The provision for 1985-86 meets the Government's commitment to plan to implement the NATO aim of real increases in defence spending of 3 per cent per annum up to that year. The cash provision for later years will be kept under review in the context of the Government's expenditure plans, taking account of our military commitments and all other relevant factors.

Defence Secretary's proposal:

3 The 1985/86 provision is in line with the NATO aim of real annual increases in the region of 3 per cent. Thereafter the intention is to hold defence expenditure broadly level in real terms: the cash provision in 1987/88 will be subject to review in the light of price movements and other relevant factors.

PLG

P L GREGSON

31 October 1984

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