

SECRET



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10 DOWNING STREET

*From the Private Secretary*

3 September, 1985

1985 SURVEY: SCOTLAND AND NORTHERN IRELAND

The Prime Minister has seen the former Chief Secretary's minute of 22 August, and has noted his opening position and objective for expenditure in Scotland and Northern Ireland.

(D. Norgrove)

R. Broadbent, Esq.,  
HM Treasury.

SECRET

CST

PRIME MINISTER

1985 SURVEY: SCOTLAND AND NORTHERN IRELAND

I am sorry to have to come back to you on this. Further discussion with the Treasury has shown that neither I nor the Policy Unit took fully on board the implications of the Chief Secretary's minute. (The Treasury think it most unlikely that the new Chief Secretary will want to change his predecessor's position on this.)

The proposed cuts set out in the first sentence of paragraph 8 would in the Treasury's mind be largely offset by increases later through the operation of the formula. This is the Treasury's starting point.

But the Treasury also say that to apply the formula to the bids they think they will have to concede would imply cash cuts on the figures in that first sentence, if they got them.

The Treasury aim to finish at a position where there are no increases but no cash cuts, i.e. the result in effect of suspending the formula.

In practice there is a reasonable chance that the Treasury will be pushed quite quickly to their final position. But before that - and even after it - Mr. Younger and Mr. King may feel inclined to appeal direct to you against the Treasury. The Treasury have explained their position to you because they see it as tough, and want to make sure you are not alarmed by it.

The Treasury proposal is a way forward to holding down spending in Scotland and Northern Ireland, without at the end of the day cutting their cash provision.

You may have already taken this on board. But I wanted to make sure that you are content for the Treasury to proceed in this way.

Agree to note the Chief Secretary's opening position and objective?

Yes - it will give trouble  
but we must try.

mf

DNS

DAVID NORGROVE

2 September 1985

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