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*Bowie Under*

From: J B UNWIN  
29 October 1986

MR NORCROVE - No 10

*DW  
29/10.*

**STAR CHAMBER: LATEST POSITION**

The following aide memoire may be helpful for the Prime Minister's discussion with the Lord President this afternoon.

Overall Position

2. Following developments this morning, and subject to the comments below, it now looks as if we are at or very near settlement on all programmes except Scotland.

Individual Programmes

3. The position on the main programmes may be summarised as follows:-

(i) Health: we have virtually agreed a settlement with Mr Fowler which will increase the HCHS programme by some 2.2 per cent in real terms in the first year, and by 1 per cent in each of the two following years;

(ii) Social Security: subject to clearance by the Chief Secretary, we are nearing a settlement which would produce savings of £100 and £250 million in the second and third years. Some of the savings will be unspecified, and primary legislation in late 1987 or early 1988; *would be needed*

(iii) Defence: this has been settled on broadly baseline in each of the 3 years (with a small switch between the two later years). It does not, however, make provision for advancing the minehunters;

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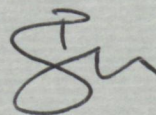
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(iv) Electricity: in response to the Lord President's letter of yesterday Mr Walker appears to be willing to accept a settlement at or near baseline in the two later years, based on an assumed average rate of return of 3.75 per cent over the survey period as a whole. If confirmed, this would eliminate his outstanding bid of around £330 million in the last year. But the details of the settlement now need to be examined quickly and confirmed by the Treasury;

(v) Overseas Aid: Sir Geoffrey Howe accepted this morning a settlement based on maintaining the programme in real terms. This gives him small additions, but removes the bulk of his bids;

(vi) Arts and Libraries: Mr Luce accepted this morning a compromise offer of £7, £7 and £8 million on his programme;

(vii) Scotland: this remains unresolved. Cutting through the complex range of subsidiary arguments, the gap in essence is as follows. The Star Chamber are seeking from Mr Rifkind a net cut of £50 million in his starting Survey baseline (excluding local authority current). Mr Rifkind's final offer would entail an addition of £40 to £50 million above this baseline. He argues strongly that anything below this would involve actual cuts in present Scottish services which are not being imposed anywhere else in the UK. The Lord President discussed the issues at length with him this morning and will want to report his views to the Prime Minister himself.



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