

PRIME MINISTER

MEETING WITH THE CHANCELLOR AND CHIEF SECRETARY

I. Chief Secretary

The Chief Secretary is coming at 1200 to talk about the Chequers meeting and his presentation. There are three procedural points you could agree:-

- i) An introduction by yourself to set the discussion off on the right track. I have asked the Treasury to prepare a speaking note making three points.

 - that Ministers should speak as members of a Government not as departmental advocates.
 - that the discussion should focus on longer term priorities rather than the survey period.
 - that the discussion should not go into detailed issues of individual programmes.
- ii) The content of the Chief Secretary's presentation - Flag A. He can go through what he has in mind.
- iii) How the discussion is recorded. While we will want to prepare a note for the record for ourselves, I suggest that only a summary of action points is circulated.

II Chancellor and Chief Secretary

The Chancellor will join the meeting at 1215 and will want to brief you on the prospects for the public expenditure round. The picture is even grimmer than usual at this stage with very large excesses over the planning total. You will need to

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consider what objectives should be proposed for the Cabinet on 4 July. To secure the best possible outcome, tough but realistic targets should be set. A complicated factor is the sale of BGC which will raise several £b. Colleagues may argue that this, rather than cuts in public expenditure, should be used to finance tax cuts. In reality asset sales are more akin to financing the deficit and should not be the basis of permanent reductions in the level of taxation.

If there is time you might like to discuss the implementation of the Keith Report in the Inland Revenue field. Attached is a note - Flag B - setting out the proposals. As with VAT, the intention is to strike a balance between toughening up on abuses and improving safeguards for the taxpayer; the danger is that a more intrusive administration of tax could result. When you discussed the Keith Report's proposals for VAT you asked for a note on the degree to which there is asymmetry between late payments of tax and delays in making refunds. This is attached at Flag C.

AS

17 June 1985

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