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cc: Mr. B. Unwin, CO
Prof. Griffiths.

10 DOWNING STREET

From the Private Secretary

4 February 1986

HANDLING OF THE 1986 PUBLIC EXPENDITURE SURVEY

The Prime Minister today discussed the Chief Secretary's minute of 31 January with the Lord President, the Chancellor of the Exchequer and the Chief Secretary.

The Chief Secretary explained that the proposals in his minute were designed to encourage a presumption against additional bids: officials would no longer produce them for the Survey report and if a Minister had to put his name to them bids would probably be scrutinised more carefully. The Prime Minister expressed some concern that the proposals could mean that Ministers' own personal standing would become even more closely engaged in support of their bids than it was at present. It was, however, agreed that the proposals were worth a try for the 1986 Survey.

It was also agreed that last year's Chequers discussion of public expenditure priorities should not be repeated this year: its result had on balance probably been to increase the pressure for higher spending. If colleagues wished to have a discussion of priorities this could be taken at the usual July public expenditure Cabinet.

The Prime Minister felt it would be useful for colleagues to have a presentation on the UK's economic performance, particularly by comparison with its competitors, before the public expenditure discussions began. Some aspects would be discussed at Cabinet on 13 February, and the Chancellor agreed to consider a presentation at No. 10, perhaps by Sir Terence Burns, on a Friday morning before the public expenditure round began. The timing of a presentation would need to be further considered, and it would not be mentioned to colleagues at this stage.

In a brief discussion of some individual spending programmes, it was agreed that, whilst spending on law and order should remain a high priority, the level of police pay was probably now excessive. But it would be difficult to rein it back. The Chief Secretary drew attention to the very limited areas in which it would be possible to look for

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savings. The Lord President was very doubtful about the scope for securing savings in territorial provision during this Parliament, but agreed that it was right for the proposed review to go ahead.

I am copying this letter to Joan MacNaughton (Lord President's Office) and Tony Kuczys (H.M. Treasury).

David Norgrove

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Richard Broadbent, Esq.,
Chief Secretary's Office,
H.M. Treasury.