



Prime Minister (1)

Ref. A09679

Content with

his approach?

MCS 8/10

PRIME MINISTER

Follow-Up to Cabinet's Discussion of Long-Term Public Expenditure

The conclusions of the Cabinet's discussion of long-term public expenditure on 9 September invited all Ministers with responsibility for public expenditure to review their programmes critically with a view to contributing to a substantial reduction in public expenditure in the longer term; to discuss their proposals with Treasury Ministers and other colleagues as appropriate; and to report (CC(82) 41st Conclusions, Minute 4). The intention was that any further work on long-term public expenditure should be under close political supervision by the spending Ministers concerned.

2. I imagine that you will want to get decisions on this year's Public Expenditure Survey out of the way, and also let the dust settle on the controversy over the CPRS report, before taking any initiative to follow up the Cabinet's conclusions on 9 September. Assuming that this year's public expenditure round has been completed by late November, it would then be timely to see what could most usefully be done to ensure that spending Ministers are, while recognising the political sensitivity of the issues, examining critically their long-term programmes.

3. As you know, two-thirds of public expenditure is accounted for by four programmes (social security, health, education and defence) for which, apart from the territorial Ministers, three Ministers are responsible, the Secretaries of State for Social Services, Education and Science and Defence. The exercise will achieve little without a political will on the part of those Ministers. It would also be desirable that you, Treasury Ministers and the spending Ministers concerned with those programmes should be broadly agreed on the political framework within which any further studies should be carried out.



4. This suggests that the best way of proceeding might be in two stages, as follows:

- (i) As soon as this year's Public Expenditure Survey is out of the way, you, together with the Chancellor of the Exchequer and the Chief Secretary (and perhaps the Home Secretary) might have a series of separate meetings with the Secretaries of State for Social Services, Education and Science and Defence to consider how the Cabinet's conclusions of 9 September might best be carried forward in their areas.
- (ii) Assuming that a reasonable basis for progress can be established in those areas, you might then set the exercise in train generally with a minute to the Chancellor, copied to all members of the Cabinet drawing attention to the relevant Cabinet Conclusions on 9 September and asking that reports prepared in consultation with Treasury Ministers and other colleagues as appropriate should be sent to you by the beginning of March. The aim would be to discuss the reports between the Budget in mid-March and, say, end-April when next year's public expenditure exercise will be put in hand. You might wish at that stage to set up a small group of Ministers to consider the reports rather than have them put to the full Cabinet, but that decision could be deferred until we had a better idea of what the reports would be likely to look like.

5. In your summing up of the Cabinet's discussion on 9 September you said that there were also "potential areas of study which affected several Departments and might therefore better be conducted centrally" and that you "would give further consideration to how such studies might best be organised". I am assuming that you do not want to have any specific action taken about that at this stage.

No - I have

made several comments

on John Francis's remarks.

RA

ROBERT ARMSTRONG

7 October 1982

CONFIDENTIAL



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From the Private Secretary

SIR ROBERT ARMSTRONG

Follow-up to Cabinet's Discussion of Long-Term Public Expenditure

The Prime Minister has noted your minute of 7 October with its suggestions as to how to carry forward the longer term review of public expenditure programmes.

The Prime Minister agrees that no specific action should be taken at this stage about the potential areas of study which affect several Departments, and which might be considered centrally. She will, no doubt, wish to consider further, after this year's public expenditure survey is completed, by, say, late November, how to proceed with the main body of the review, in particular on the social security, health, education and defence programmes.

M. C. SCHOLAR

11 October, 1982

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