



Ref. AO82/0227

PRIME MINISTER

Prime Minister (1)

Do you wish to embark  
on this?

MS 23/11

Yes MS

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

My minute of 7th ~~October~~ (Ref. AO9679) outlined proposals for following up the Conclusions of the Cabinet's discussion of long-term public expenditure on 9th September once decisions on this year's Public Expenditure Survey were out of the way and the controversy over the CPRS Report had died down. Mr Scholar's subsequent minute of 11th October confirmed that you would wish to consider this further after the Public Expenditure Survey had been completed.

2. Now that the Chancellor has announced the main results of the Public Expenditure Survey in his Autumn Statement the way is clear to proceed.

3. My earlier minute (copy attached for convenience) envisaged a two-stage process. The first would be a preliminary round with the Ministers responsible for the four main spending programmes (Social Services, Health, Education and Defence) to consider how the Cabinet conclusions of 9th September might best be carried forward in their areas to produce a reasonable basis for launching the exercise more widely. This first stage which would require the major spending Departments to agree to carry out reviews with the object of making a substantial contribution to reducing public expenditure from within their own programmes, would be difficult, but important: if the exercise as a whole is to achieve anything significant, it is essential that these programmes which account for two-thirds of total expenditure should contribute their shares, and it is crucial that the Ministers concerned should



provide the necessary political will to carry this through.

4. Once that first stage with the main spenders had established a reasonable basis for progress, we could then go on to the second stage, which would be for you to send a minute to the Chancellor of the Exchequer, with copies to all members of the Cabinet, drawing attention to the relevant Cabinet Conclusions of 9th 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.

5. I believe that the Treasury will be content with this way of proceeding.

RA

ROBERT ARMSTRONG

23rd November 1982

Ref. A09679

C. Mr. Goyson  
Mr. Buckley

PRIME MINISTER'S OFFICE
A .....
FOY 1582
FILING INSTRUCTIONS
FILE No. ....

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.

ROBERT ARMSTRONG

7 October 1982

CONFIDENTIAL



10 DOWNING STREET

*From the Private Secretary*

SIR ROBERT ARMSTRONG

FOLLOW-UP TO CABINET'S DISCUSSION OF LONG-TERM PUBLIC EXPENDITURE

The Prime Minister agrees to the course of action envisaged in your minute to her of 23 November..

We shall accordingly set up a series of separate meetings with the Secretaries of State for Social Services, Education and Science and Defence, together with the other Ministers you mentioned.

M. C. SCHOLAR

24 November 1982

CONFIDENTIAL

Bre