

SECRET

17

NBPM

CC NO 31/3

Copy No 2 of 17

2 MARSHAM STREET  
LONDON SW1P 3EB

01-212 3434

My ref:

Your ref:

31 MAR 83



*Leon Brittan*

PUBLIC EXPENDITURE IN THE LONGER TERM

Thank you for your letter of 30 march about my draft report to the Prime Minister.

On your general point about the strategy I believe that a fairly clear political message is emerging. So far as capital expenditure is concerned (which accounts for some 60% of my programmes) there is a clear need, which I am glad to see you accept, for maintaining and even increasing the level of capital and construction expenditure in the economy as a whole. As much of the growth as possible should be steered towards the private sector, but there is bound to remain a significant public sector component, and we must as you say ensure that we get maximum value for money from this.

On current expenditure the main thrust of my strategy is that we should make even greater efforts on promoting efficiency throughout the public sector, and particularly in the local authority sector for which I have a general responsibility. Financial pressures, publication of information, strengthened audit arrangements, more extensive privatisation all have a part to play here.

I note your opposition to changing the public expenditure convention about the treatment of local authority current expenditure. I should like to consider this further with you as I believe that there could be considerable advantages both in substance and in presentation in making such a change. I am less attracted by the two minor changes you suggest, which by themselves would not change the substance of the position and could cause us other presentational difficulties. But I would hope that we could consider this in more detail during the next few months. Meanwhile I have floated the proposal in a rather more open-ended way in my report to the Prime Minister.

On the level of local authority current expenditure in cost terms I agree that our officials should consider the figures and the methodology in more detail. Meanwhile I have annotated para 3 of the report to the Prime Minister to indicate the existence of the different approach which you suggest.

On the urban programme and on housing I shall of course be glad to consider the issues and problems with you in more detail in the coming months.

In the light of your letter I have modified my letter to the Prime Minister and the report to indicate your general reservations and your particular points about local authority current expenditure. I now attach a copy of the report as I have today sent it.

Copies go to George Younger and Nick Edwards.

*Tom King*

Rt Hon Leon Brittan QC MP

TOM KING