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Prime Minister ²

Mrs 31/3

John Gieve Esq
Private Secretary to
The Rt Hon Leon Brittan QC MP
Treasury
Great George Street
LONDON SW1

31 March 1983

Dear John

PUBLIC EXPENDITURE SURVEY 1983

My Secretary of State has comments on only one aspect of the Chief Secretary's minute of 28 March to the Prime Minister covering the guidelines for the 1983 Survey. That is the proposal to reduce the real content of programmes for 1986/87 by building into the survey an uplift of 3 per cent on 1985/86 when inflation in 1986/87 is expected to be more than 3 but less than 5 per cent.

My Secretary of State cannot understand how this proposal can be reconciled with the exercises on longer term public expenditure and manpower requirements between 1984 and 1988, the results of which the guidelines require us to include in the survey. These exercises will produce selective cuts. The Chief Secretary's proposal is for an across the board cut of up to 2 per cent in 1986/87. The relationship between the proposal and the exercises is not clear and if the proposal is additional my Secretary of State would wish to know the justification for proceeding on both fronts.

This department would, in any case, foresee considerable difficulty in accommodating its demand led programmes within a cash plan for 1986/87 reduced as your Minister proposes.

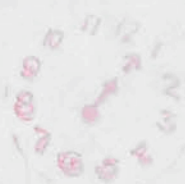
I am copying this letter to private secretaries to Cabinet Ministers, the Minister for the Arts and Sir Robert Armstrong.

Yours sincerely

Baroness

J B SHAW
Principal Private Secretary

31 Oct 1959





CC NO ✓

Prime Minister 2

MS 11/4

Treasury Chambers, Parliament Street, SW1P 3AG

J B Shaw Esq
Principal Private Secretary to the
Secretary of State
Department of Employment
Caxton House
Tothill Street
London SW1H 9NA

11 April 1983

Dear Bernaby

With MCS?

PUBLIC EXPENDITURE SURVEY 1983

Thank you for your letter of 31 March, which I have shown to the Chief Secretary.

Perhaps it would help if I re-stated the purpose of this part of the guidelines. It is a fairly mechanical one. The aim is to establish a baseline for the final year of the 1983 Survey, purely as a starting point for subsequent Ministerial discussion. Of itself, the baseline does not imply any policy decisions.

Clearly, the Chief Secretary hopes that it would prove possible to secure some further reduction in public expenditure, particularly in 1986-87, a year for which there is ample time to make adjustments to programmes. He is therefore suggesting a baseline which will produce a public expenditure total in that year which is likely, in real terms, to be somewhat lower than that for the preceding year. (You speak of "a reduction of up to 2 per cent": but this of course depends on the course of inflation between now and 1987). He was particularly anxious that there should be no misunderstanding about his intention. The 3 per cent uplift on the previous years cash programmes is not intended to compensate in full for the effects of inflation, and it is emphatically not an inflation forecast.

Having established the baseline, it is then for individual departments to propose adjustments in the course of the Survey. And, when in the usual way Cabinet meets to consider the results of the Survey, it will be open to Ministers collectively to decide to add to, or indeed to subtract from, the figures for each programme thus established. In the case of the Department of Employment, I understand that there may indeed be quite substantial proposals for additional expenditure, over and above the baseline, in the final year. The Chief Secretary is not seeking to rule such proposals out of order at this stage. All he is doing is inviting the Ministers concerned to make proposals, which Cabinet collectively can consider, rather than having programmes automatically increased by some arbitrary percentage addition for inflation.

I hope that this explanation will help, and that your Secretary of State is now prepared to agree to the guidelines proposed. If there is any further difficulty, perhaps officials could discuss it before making a further submission to Ministers.

I am sending copies of this letter to the Private Secretaries to other Cabinet Ministers, the Minister for the Arts, and Sir Robert Armstrong, who received copies of the Chief Secretary's original minute.

Yours sincerely

J.G. Gieve

JOHN GIEVE

Private Secretary

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