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SUBJECT

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U. Hafer
of R



10 DOWNING STREET

THE PRIME MINISTER

Personal Minute

No. M10/83

cc: All members of Cabinet
LOD
Chief Whip
Chief Sec, H.M.C.
Min. for the Arts
CO.

CABINET MINISTERS

Long Term Patterns of Public Expenditure

At Cabinet on 21 July, I said I would consider further how discussion of the longer-term prospects for public expenditure could best be arranged. Meanwhile I asked members of the Cabinet to review again the scope for changes in policies and in the management of programmes to reduce public expenditure and make it more cost effective. (CC(83)23rd meeting).

For the longer term, I am still considering how we might take steps to stimulate public debate, though we can take opportunities, as I did myself last week, to draw attention to that problem. But this should not hold up the decisions we need to take in the current Public Expenditure Survey.

We need to agree firm cash figures this autumn for 1984-85 and provisional figures for the next two Survey years. But such a timescale is not really long enough for the efficient management of programmes, particularly those with a large capital element. Nor does it give the Chancellor of the Exchequer a solid enough basis for the medium term financial strategy. We need to take account of the implications not simply for the next three Survey years but for future years as well, certainly covering the lifetime of this Parliament. If we are to hold public expenditure constant in total, it will probably require downward adjustments in some programmes in order to make room for inevitable growth in others; and we need to agree a framework of policies which allows a pattern of this sort. It will also be necessary to leave an adequate margin for unforeseeable contingencies.

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I am therefore asking the Chief Secretary to raise with his Ministerial colleagues, in the course of their bilateral discussions in September the implications, for 1987-88 and 1988-89, of the changes needed in the three Survey years up to 1986-87, and to have a preliminary discussion with them of the longer-term policy changes they may have in mind in the light of the Cabinet discussion on 21 July. He will report the results to Cabinet towards the end of October, covering both the Survey years and the implications for the rest of this Parliament.

I am sending copies of this minute to all Cabinet Ministers in charge of spending Departments; to the Minister of State, Privy Council Office; to the Chief Secretary and to Sir Robert Armstrong.

Margaret Thatcher

5 August, 1983

SECRET



10 DOWNING STREET

Prime Minister

I have revised this
* minute in the light of your
comments, and in an
attempt to make it more
"Guardian-proof".

FERB

1.8.

PM's minute
of 5/8/83



10 DOWNING STREET

THE PRIME MINISTER

Personal Minute

No.

CABINET MINISTERS

Long Term Patterns of Public Expenditure

At Cabinet on 21 July, I said I would consider further how discussion of the longer-term prospects for public expenditure could best be arranged. Meanwhile I asked members of the Cabinet to review ^{again} ~~once more~~ the scope for ~~fundamental~~ changes in policies and in the management of programmes. ^{to reduce public expenditure and make it more cost-effective} (cc(83)23rd meeting).

For the longer term, I ^{still considering} ~~am not yet ready to make~~ proposals about how we might take steps to stimulate public debate, though we can take opportunities, as I ^{did} ~~have~~ myself ^{last} ~~this~~ week, to draw attention to that problem. ^{But} ~~Meanwhile I~~ ~~am anxious that~~ this should not hold up the decisions we need to take in the current Public Expenditure Survey.

^{We need} It will ~~not be enough merely to~~ agree firm cash figures this autumn for 1984-85 and provisional figures for the next two Survey years. ^{But} Such a timescale is not really long enough for the efficient management of programmes, particularly those with a large capital element. Nor does

/it give

*We haven't got
the Page-Curtis
yet*

it give the Chancellor of the Exchequer a solid enough
 basis for the medium term financial strategy. We need
 to take account of the implications for future years as well, *not simply for the next three Survey years but certainly*
covering the lifetime of the Parliament.
 (Eventually we need an agreed pattern of expenditure over the
 life of this Parliament to which we can all work with a fair
 degree of confidence.) If we are to hold public expenditure
 constant in total, it will probably require downward adjust-
 ments in some programmes in order to make room for inevitable
 growth in others; and *we need to agree a framework outside of*
 include agreed rates of growth, or decline, for each main
policy which allows a pattern of this sort.
 programme and not just for the total of expenditure. It will
 also be necessary to leave an adequate margin for unforeseeable
 contingencies.

*Surely we
already have
this for
3 years.*

I am therefore asking the Chief Secretary to raise these
 matters with his Ministerial colleagues, in the course of their
 bilateral discussions in September. ~~He will want to consider~~
 with them the implications, for 1987-88 and 1988-89, of the
 changes needed in the three Survey years up to 1986-87, ~~for which~~
 Cabinet has already decided the broad objective. This will in-
~~volve~~ *and to have a preliminary discussion with them of the longer-term*
 many cases involve discussion of the longer-term policy changes
policy changes they have in mind in the light of the Cabinet decisions on
 they have in mind as a result of the Cabinet decisions on
21 July.
 21 July. He will report the results to Cabinet towards the end
 of October, covering both the Survey years and the implications
 for the rest of this Parliament.

*This could
only be an
indication*

/I am sending

I am sending copies of this minute to all Cabinet Ministers in charge of spending Departments; to the Minister of State, Privy Council Office; to the Chief Secretary and to Sir Robert Armstrong.