

6 April 1984



PRIME MINISTER

## 1984 PUBLIC EXPENDITURE SURVEY GUIDELINES

with AT

A number of colleagues have commented on my minute to you of 21 March enclosing proposed guidelines for the 1984 Survey and for the future operation of the Reserve.

2. Several colleagues have referred to the implications of the proposed 2½% uplift for the establishment of the baseline for 1987-88. As I indicated in my earlier minute, setting the baseline for the new year of the Survey is an initial and essentially mechanical step. It does not represent a decision either about the appropriate aggregate planning total for that year or its distribution; those decisions will be taken by the Cabinet as the Survey proceeds. The fact that this baseline could imply some reduction in real terms in individual programmes provides a margin, within the aggregate assumptions in the MTFs, to facilitate the adjustment of priorities during the Survey. I am sure that this is the most appropriate starting point.

3. Some colleagues have also questioned the value of preparing material on options for reductions. My suggestion was that officials should prepare a report showing options for savings of 3% on the baseline in each of the Survey years. I remain convinced we will need this information in order to provide a basis for the subsequent Survey discussions. I do not think it would be right to exempt any one individual programme from this general requirement. The Survey must be used to consider priorities, but we cannot sensibly do this without a guide to the areas where Departments could adjust expenditure for each year - downwards as well as upwards - if priorities were



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readjusted between programmes. Last year Departments were asked to identify options of 3%, 4%, and 5% in the three Survey years. This year I have proposed 3% in each of the years, and I do not think anything less would meet the needs of the discussion of priorities. It is, of course, open to colleagues to specify options which exceed these figures and that may well be appropriate if the measures needed to achieve 3% in the first year will give higher savings in later years.

4. Against this background, I hope you will agree we should now proceed on the basis set out in the proposed guidelines.

5. I am sending copies of this minute to members of Cabinet, Grey Gowrie and Sir Robert Armstrong.



PETER REES

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