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Treasury Chambers, Parliament Street, SW1P 3AG

Mr A Turnbull
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4 July 1984

Dear Andrew

PRESS HANDLING AFTER CABINET TOMORROW

Robert Culpin and Bernard Ingham have already been in touch about the line which it is proposed Bernard Ingham should take with the press after tomorrow's Cabinet meeting. The Chief Secretary has seen the formula in Mr Ingham's minute of this morning. This is on the right lines but he would prefer a [redacted] formula including a reference to 1987-88. I attach a redraft at Annex A that you may wish to show the PM.

In case Journalists ask supplementary questions, the Chief Secretary thinks it would be useful to ensure that the Treasury and No. 10 Press Offices are working on the same lines. I attach a brief at Annex B.

Yours sincerely

JG

JOHN GIEVE
Private Secretary

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ANNEX A

The Cabinet today had its usual July discussion of the next public expenditure review for 1985-86 to 1987-88. It confirmed that aggregate public expenditure in 1985-86 and 1986-87 should be held to the established plans: and agreed that the total for the new year, 1987-88, should be broadly at the 1986-87 level in real terms. The Chief Secretary will now embark on discussions with individual Departments in the light of this decision.

There may be enquiries about what is meant by the Cabinet's decision to stick to existing expenditure plans for 1985-86 and 1986-87. This means that the Cabinet has confirmed public expenditure planning totals of £131.7m and £136.3m respectively - ie. the February Public Expenditure White Paper (Cmnd 9143) figures, abated to take account of the abolition of the National Insurance Surcharge. There may also be questions about whether the Cabinet has agreed upon any objectives for the Reserve. We suggest that the line here should be to say that the Cabinet agreed that realistic and adequate Reserves should be provided for the three forward years; and that that decision means in practice Reserves not very different from those set last year.

2. There may also be interest in whether the Cabinet discussed public expenditure in the current year. If, as seems quite likely, the Cabinet does not discuss 1984-85 at all, it will be best to say just that; but if there is some discussion of the current year the best line to take would be that the Cabinet was considering the 1984 Public Expenditure Survey, so that its discussion focussed on the three forward survey years, ie. 1985-86 to 1986-87. Further material on 1984-85 was sent over to No 10 yesterday, as briefing for Question Time.

3. If there are questions about manpower our line should be that the Cabinet agreed to improve upon, as far as possible, the planning figures published in Cmnd 9143 (ie. a Civil Service of 593,000 by 1 April 1988). There may, too, be questions about whether a pay factor was discussed. Here we suggest that the line should be (if this turns out to be true) that there was no discussion of a possible pay factor for 1985-

86, but that the Cabinet's consideration of this has in earlier years come somewhat later in the Survey. Finally, there may be questions about the size of the total bids in this year's Survey, where most press speculation so far has been wide of the mark. The line here, we suggest, is that this year, as in other years, there are sizeable additional bids from spending departments. This is perfectly normal and there are no great differences between what is happening this year and what has happened in earlier Surveys.

4. It may be confirmed that, as usual, the review was considered against the background of a report by the Chancellor on the economic prospects. This suggested no very great changes in the economic prospects from those which underlay the Budget [Naturally the Cabinet welcomes the evidence of continuing economic recovery, low inflation and growth of output, and reaffirmed their commitment to the economic strategy which has brought them about.]