

CONFIDENTIAL

27 September 1984

MR TURNBULL

THE PAY FACTOR FOR NEXT YEAR

We support the Chief Secretary's proposal for a 3 per cent increase in the public service pay bill next year. A pay factor of 4 per cent was assumed when originally setting the expenditure plans for 1985-86. Cutting it to 3 per cent saves around £200 million.

There is one trick to look out for. Spending Ministers may argue that these are just crude across-the-board cuts and should count towards the cuts they are negotiating individually with the Chief Secretary. The Treasury want these savings on top of those they are negotiating bilaterally with departments. Spending Ministers must not be allowed to win the argument - the public spending position is too serious.

*David Willetts*

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