



u MASTER SET

10 DOWNING STREET

From the Private Secretary

28 September 1984

Dear David,

PUBLIC EXPENDITURE

The following action points emerged from the discussion the Chancellor and the Chief Secretary had with the Prime Minister this afternoon.

- (i) The Treasury would prepare a speaking note for the Prime Minister to use at Cabinet on Thursday. This would have three elements: first, the Prime Minister would tell colleagues that, having rejected the Chief Secretary's proposal for a moratorium on local authority capital expenditure, they should do everything within their power to minimise expenditure in 1984-5. They should go through their programmes carefully to see what savings could be made. This would represent, in effect, an appeal to colleagues to do what they could on a voluntary basis. Secondly, the Prime Minister should warn colleagues that the future position on public expenditure was extremely difficult and that they should exercise great care in responding to Conference motions. No commitments to future expenditure should be given, nor should hopes be raised. Finally, there should be notes on what the French and other Governments were doing to restrain public expenditure. These should arrive by Wednesday evening.
- (ii) It was agreed that a special effort should be made to settle Mr. Tebbit's programme early to enable him to take his place as a member of the Star Chamber. A meeting has been arranged after E(NI) on Wednesday between the Prime Minister, Mr. Tebbit, the Chancellor and the Chief Secretary. The Chief Secretary's office have already sent over some of the papers relating to the bilateral. The Treasury should prepare a specific brief on the line to take, to reach here by close of play on Tuesday.

(iii) The Prime Minister wondered whether it was right to make the Autumn Statement on 13 November when this was the final day of the debate on The Queen's Speech. The Treasury should investigate the precedents for making a major economic announcement on the same day as the Economic Debate and should consult the Chief Whip about the likely reaction of the Opposition. The Chancellor should minute the Prime Minister on the outcome of these investigations.

BH
I am sending a copy of this letter to Richard Broadbent (HM Treasury).

*Yours sincerely
Andrew*

(ANDREW TURNBULL)

David Peretz, Esq.,
HM Treasury.