

Ref. A085/97

PRIME MINISTER

Public Expenditure Survey: Lessons for the Future

*in my folder?*  
The problems are fully canvassed in the papers already sent to you, and I want only to make one procedural suggestion.

2. It seems to me that the two main problems of the present system are:

a. It tends to confine discussion to the margins (additional bids, options for percentage cuts) rather than allowing existing commitments or even programmes to be reviewed and tested.

*and the Treasury*  
b. The battles tend to be bilateral battles between individual spending Departments: the system does not sufficiently oblige spending Ministers to face up to choice between their programmes and other people's programmes.

*Blocks*  
3. I wonder whether it would help the process to group the PESC programmes into a fairly small number of blocks of cognate programmes: one might have, for instance, an external relations block (Defence, FCO, ODA, trade promotion); a local government and social services block (DOE, Health Social Security, Education and Science); an industrial block (industrial support in DTI, Transport, Agriculture, Employment, Energy).

4. The Cabinet could then start the survey process by deciding (as now) on the overall totals for public expenditure for the survey years and the price factors to be applied; and (which would be new) would also decide upon the allocation of the total among the blocks. The Ministers responsible for programmes in each



block would then have to argue with each other (not just with the Treasury) about how the Cabinet's allocation to each block should be divided among the various programmes in the block.

5. The results of the discussion for each block would then be reported to the Cabinet, which would take the final decisions. If this system were to work, it would of course be essential for the Cabinet to stick to its decisions about totals, and only to agree to an increase in the allocation of one block if there was also agreement on a corresponding reduction in another block.

6. Such a system might bring Ministers to face up to some of the choice on priorities better than the present system does.

*R*  
Approved by  
ROBERT ARMSTRONG  
and signed in his absence

11 January 1985