

PRIME MINISTER

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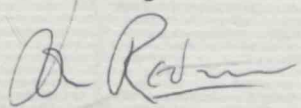
There are some good features in the Treasury's paper on the Public Expenditure Survey for 1985.

You could welcome the 2.5% increase in base line for 1988/89 over 1987/88.

The options for spending reductions should be more than a political exercise; each department should be dissuaded from putting forward the most damaging of cuts. The Treasury will need to intervene in this process to make sure the most sensible options for savings are identified and included in the papers.

In the construction of the lists of surplus land and empty housing, the Treasury should be particularly quizzical over the definition of "surplus", and should expect fairly rapid results in disposals. If necessary, private estate agents could be brought in to sell packages of land and buildings to an agreed timetable.

The aim to reduce departmental running costs by 0.5% in real terms in 1986/87 over 1985/86 is quite modest. The idea of chasing both competitive tendering and value for money in a short, usable report for Ministers is excellent, and should be encouraged.


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