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CHIEF SECRETARYPUBLIC EXPENDITURE SURVEY AND RUNNING COSTS TARGETS

I have seen your minute of 22nd April to the Prime Minister about the 1985 Public Expenditure Survey and the control of running costs.

2. I am grateful for your recognition of my problem on Service pay, and for your assurances on land and house sales. I should not, however, like there to be any misunderstanding about your reference to there being general agreement that we should now proceed on the lines proposed. The arguments in paragraph 7 of your minute do not respond to my view that to uplift the baseline at a rate lower than our inflation forecast is wrong in principle and discredits cash planning. I recognise that officials must get ahead with the preparation of the figures. But I must reserve my position on the issue of principle which I believe should be discussed collectively when we have the initial results of the survey in the summer.

3. I am sending copies of this minute to the Prime Minister, other members of the Cabinet and to Sir Robert Armstrong.

Armstrong

(Approved by the Defence Secretary &
Ministry of Defence signed in his absence)

25th April 1985