

SUBJECT.
cc Master.

SECRET



Je re
cc John Ledwood

10 DOWNING STREET

16 May 1985

From the Private Secretary

Dear Rachel.

PUBLIC EXPENDITURE PRIORITIES

The Prime Minister and the Chancellor discussed today the proposal for a meeting of Cabinet members to discuss public expenditure priorities. The Chancellor said he remained sceptical that such a meeting would, in practice, make it easier to reach difficult decisions on public expenditure. Such a meeting could be used by departmental Ministers to advance the demands of their programmes. However, a number of colleagues had pressed for such a meeting and there might be advantage in holding one provided it was carefully structured. He suggested that:

- (i) it should be held in an informal atmosphere at Chequers.
- (ii) It should be held outside the normal run of public expenditure business.
- (iii) It should concentrate on the balance of public expenditure in the medium term, ie up to the election and beyond, rather than on the immediate negotiations which would take place in the public expenditure round.
- (iv) There should be no papers other than an annotated agenda from the Treasury and circulation of the 1984 Green Paper.

The Prime Minister agreed that such a meeting should be held this year. She suggested a Sunday evening at Chequers, with Ministers being invited to assemble around 1630. Two possibilities, 16 and 23 June, should be investigated.

I am copying this letter to Richard Hatfield (Cabinet Office).

Yours sincerely
Andrew

ANDREW TURNBULL

Mrs Rachel Lomax
HM Treasury

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