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Told Richard Broadbent CC NO  
 pm was called AT 23/5 ✓

Prime Minister (1)  
 Content?

AT  
 20/5

Treasury Chambers, Parliament Street, SW1P 3AG

Andrew Turnbull Esq  
 Private Secretary  
 10 Downing Street  
 London  
 SW1

Dear Andrew

20 May 1985

RUNNING COSTS TARGETS

Now that the new arrangements in the Public Expenditure Survey for dealing with Departments' running costs have been agreed the Chief Secretary has been considering how and when best the new targets regime should be made public.

Ideally, in his view, nothing would be said until the new targets are agreed by the Cabinet, so that the Government is in a position to make a full announcement, with the numbers to which Departments will be committed. That points to an announcement at the time of the Autumn Statement with details in the Public Expenditure White Paper. But we have recently learned that the Civil Service unions know what has been agreed; and there has also been an enquiry from the press which suggests that they, too, know what is in prospect. In the event of publicity in the press and in various union journals there would be little option but to make an early announcement - at a time which might well look defensive and probably would not be of the Government's choosing.

The Chief Secretary believes that, in these circumstances, the best course is to make an early, low-key, announcement - with no reference to the proposed overall target increases  $\frac{1}{2}$  per cent below forecast in inflation; - followed by a fuller and more positive announcement in the autumn when there is more to say. If the Prime Minister agrees, the Chief Secretary will make an announcement by written Answer next week, on the lines of the attached draft.

Yours ever

Richard

R J BROADBENT  
 Private Secretary

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PQ AND ANSWER

Q. To ask the Chancellor of the Exchequer whether he is satisfied with the control of expenditure on the running costs of Government Departments, and whether he will make a statement.

A. Successive scrutinies of the running costs of Government Departments have shown that in aggregate these costs have been rising more quickly than costs in the economy generally. The Government intends to improve the arrangements for controlling running costs. Targets will therefore be set in the forthcoming Public Expenditure Survey, to cover the running costs, including manpower costs, of each Department. These targets will be published in the 1986 Public Expenditure White Paper.

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*MS*

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