



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

9 July 1985

Andrew Turnbull Esq
10 Downing Street
LONDON SW1

Dear Andrew,

PRESS HANDLING AFTER CABINET

It has become customary to agree a short line for press offices to take after the summer expenditure Cabinet. For Thursday's meeting, the Chancellor and Chief Secretary suggest repeating last year's formula, as follows:

X (The Cabinet today had its usual July discussion of the next public expenditure review, for 1986-87 to 1988-89. It confirmed that aggregate public expenditure in 1986-87 and 1987-88 should be held to the established plans: and agreed that the total for the new year, 1988-89, should be broadly at the 1987-88 level in real terms. The Chief Secretary will now embark on discussions with individual Departments in the light of this decision.

The message should be business as usual. The figures are in Table 2.2 of the FSBR.

Treasury Ministers suggest we stick to this so far as possible. But some journalists may ask about the prospects within the planning totals for special sales of assets on the one hand and departmental programmes on the other. If necessary, Treasury Ministers suggest the following response:

Y | Proceeds from privatisation are now expected to be somewhat higher than assumed in the Budget, and these count as negative public expenditure. Other expenditure programmes will be correspondingly higher within the unchanged cash totals. The overall target will be tough but realistic.

Yours ever
Rachel

RACHEL LOMAX
Principal Private Secretary

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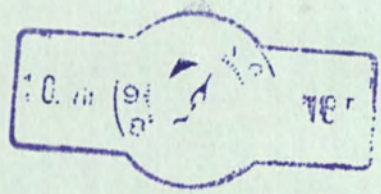
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