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cc Mr Wicks
Chancellor of the Duchy
of Lancaster
Chief Whip
Mr Sherbourne

10 DOWNING STREET

From the Private Secretary

LORD PRESIDENT

PUBLIC EXPENDITURE

I promised an early note on the problem of presenting public expenditure.

As I said at the meeting, we have not succeeded in presenting the exercise positively in the previous six years for a variety of reasons:

- first, the entire public expenditure exercise presents only one (negative) half of the picture and is divorced from the potentially positive half - the Budget
- second, the handling of the whole issue is organised for maximum dramatic effect which keeps the media going for months - Departmental bids; total overbids and size of problem; bilaterals; Star Chamber; November Statement (followed 4-5 months later by the Budget)
- third, the combative nature of the exercise is meat and drink to the media; who is giving to or is getting a black eye from the Treasury
- fourth, Ministers and Departments insist on playing to the public gallery partly because they know their pressure groups know that they are not fighting against a cut in their allocation but for an increase
- fifth, the atmosphere in which the exercise is conducted is nonetheless one of cuts; for six years the Government has managed to present itself as cutting public expenditure even though that public expenditure has consistently risen; the issue has never been whether public expenditure should be reduced, but by how much, if at all, it should rise over and above the planned increase
- sixth, the catch-as-catch-can nature of the exercise means that it has been almost guaranteed to produce a bananaskin or two at a late stage - eg student grants; how to ensure no hostages to political fortune are given in bilaterals is an important aspect of the detail of the exercise.

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To meet this formidable catalogue of potential negatives we have over the years:

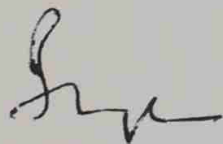
- considered whether the outcome of the public expenditure round could be brought together with the Budget; (no luck)
- tried to get Departments and Treasury to leak less (with no discernible effect; indeed it seems to get worse)
- tried to get over the point to the media that we are not dealing with "cuts" at all but how to keep within the planned spending increase (with scarcely any discernible effect, even in the quality newspapers for whose simplistic reporting there is no excuse)
- tried to focus on the positive point of outputs - ie the country is in fact getting better value for its money (with not a great deal of joy).

Indeed, I regard the public expenditure round as one large unadulterated mess, relieved only intermittently by success in persuading one of the more intelligent journalists to write about the Government's formidable success in all the circumstances in keeping a tight hold on the spending of tax payers' money.

It is superficially attractive to argue that what the Government does each year is decide how, within a modestly increasing total of spending, to allocate where the additional money goes. But the media will not be diverted from its main task of recording punch and counter punch in the game of indentifying who has won and who has lost, even though one who is classed as a loser may have actually increased his budget.

The whole affair is a presentational nonsense and nightmare. And the biggest nonsense is the way Ministers and Departments conspire to inflict collective damage. Since they won't shut up, whatever "disinterested" or "uninvolved" Ministers, or officials like me, say positively to the media has about the same effect as spitting in the wind.

This does not mean we should not keep trying. But it does mean that unless we can find a better way of conducting Government business we shall see limited results.



BERNARD INGHAM
1 October 1985