

P 01755

SECRET AND PERSONAL

From: J B UNWIN
28 October 1985

cf
cc to me and 11
return to Mr Unwin pm.
JBU
28/10
BU

LORD PRESIDENT OF THE COUNCIL

STAR CHAMBER: STATE OF PLAY

The table attached to your minute to the Prime Minister shows that the present state of departmental bids exceeds the baseline by the following amounts:

		£ billion
1986-87	1987-88	1988-89
1.825	2.045	2.713

This is not, of course, an estimate of the likely outcome. I thought, therefore, that it might be helpful to you to have my own present guess of the outcome. This is marked in manuscript on the attached copy of the score sheet. It assumes that we can get further reductions of some 955, 1540, and 1690 in the three years. This would produce the following excesses over baseline at the end of the exercise:

0.87	0.505	1.023
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2. As you will see from my detailed interpolations, this depends heavily on getting defence to baseline and holding Mr Baker down to a bit more in each year than you have offered.

3. If you could get this far, it will still be extremely difficult, but perhaps just manageable, especially in the second year. I do not think the Treasury could credibly add to the figures for asset sales; but it should be possible to take something more out of the Reserve in the other years, and to accept some increase in the planning total in the last year consistent with maintaining a level profile in real terms. But it would be very tight indeed, and provide a strong case for getting defence down to the Star Chamber's below baseline target.

J B UNWIN

£ million

	1986-87			1987-88			1988-89		
	Baseline	MISC 120 Proposal	Departments' Present Position	Baseline	MISC 120 Proposal	Departments' Present Position	Baseline	MISC 120 Proposal	Departments' Present Position
TOTAL AGREED ϕ									
SO FAR	52,509	-1726	Possible Outcome (ie further savings) 1726	53,724	-616	Possible Outcome (ie further savings) -616	56,574	-1531	Possible Outcome (ie further savings) 1531
DEFENCE	18,560	-200	-170 +171	18,859	-300	-360 [+362]	19,033	-208	-650 [+655]
ODA (Incl ATP)	1,296	0	[+15]	1,317	0	[+15]	1,350	0	[+20]
ENERGY (Departmental Programme)	294	+22	+27	293	+32	+37	300	+35	+40
HOUSING	2,424	+120	-600 [+790]	2,526	+100	-750 [+968]	2,589	+80	-700 [+892]
DOE Other	848	-25	-10	860	-20	[0]	882	-15	[0]
EDUCATION AND SCIENCE	3,418	+80	+80	3,505	+75	+75	3,593	+60	+60
ARTS & LIBRARIES \ddagger	333	-1	+10 +15	342	+5	+15 +23	350	+10	+20 +27
HEALTH	14,945	+200	-50 +301	15,622	+250	-75 +382	16,012	+450	-100 +766
SOCIAL SECURITY	41,547	+857	-50 +941	43,553	+140	-200 +181	44,642	+644	-50 +816
SCOTLAND	4,300	-100	-2	4,373	-100	-1	4,482	-100	-19
ELECTRICITY*	-1447	+90*	-65 +90*	-1487	-94*	-110 -94*	-1524	+309*	-70 +309*
WATER	123	0	-30 +33	15	0	0	15	-60	-60 0
COAL \ddagger	382	+400	+508	392	+283	+333	402	+150	+198
GAS \ddagger	-470	+160	+272	-	-	-	-	-	-
Territorial Consequences	-	+80	+320	-	+100	+380	-	+155	+480
TOTAL	139,062	-43	-955 +1825	143,894	-145	-1540 +2045	148,700	-51	-1690 +2713
			870			505			1023

ϕ Includes additions to asset sales, lower Reserves and increase in 1988-89 planning total

\ddagger Programmes not yet considered by MISC 120

*Agreed figures, but subject to further reductions to reflect assumed slippage of Sizewell.

NB: Figures in square brackets reflect secretariat's interpretation of current Departmental positions.