

SUBJECT CC MASTER



V file RB  
cc Prof Griffiths

10 DOWNING STREET  
LONDON SW1A 2AA

From the Private Secretary

2 October 1986

Dear Jim,

PUBLIC EXPENDITURE

The Prime Minister held a short meeting yesterday evening with the Lord President and the Chief Secretary to discuss public expenditure. Professor Brian Griffiths and Mr. Brian Unwin were also present.

The Chief Secretary outlined the position reached so far in discussion of public expenditure bids. The Prime Minister commented that the presentation of the decisions would need very careful consideration. It would be right to put a large share of the blame on local authority mismanagement.

There was some discussion of the social security up-rating to be announced following publication of the September RPI on 17 October. The Prime Minister and the Lord President saw political attractions in an increase in the single pension of £1 or more (with the equivalent for a married couple) as against the 75p which would result from an increase in line with the RPI. However, this would cost £135 million and it was not easy to see where the money could be found: a decision not to uprate unpledged benefits would not provide enough even if that were itself politically acceptable.

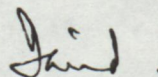
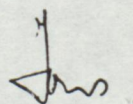
In a discussion of other bids, the Prime Minister commented that she was not over-sympathetic towards bids for more resources for health: all the evidence showed increasingly the great scope for improving efficiency.

The Chief Secretary said he had drawn two conclusions from this year's discussions: the Government would need at some stage to take further major action towards changing social security, though without the brouhaha which had surrounded the social security review, and secondly, thought would need to be given to how local authority expenditure was scored in the planning total.

It was agreed that the Chief Secretary should refer at Cabinet today to the bilaterals and setting up of the Star Chamber. Public reference to the Cabinet discussion should be avoided if at all possible.

It was also agreed that the Star Chamber would comprise the Lord President, the Chancellor of the Duchy of Lancaster, the Lord Privy Seal, the Paymaster General and the Chief Secretary. The Secretary of State for Wales might be invited to become a member of the Star Chamber if his programme was settled in time after his return from the United States on 12 October.

I am copying this letter to Joan MacNaughton (Lord President's Office) and to Michael Stark (Cabinet office).



DAVID NORGRÖVE

Miss Jill Rutter,  
Chief Secretary's Office,  
H.M. Treasury.