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FCS/87/039

N B M.

CHIEF SECRETARY TO THE TREASURYHandling of 1987 Public Expenditure Survey

WITH DRN

1. I agree with the proposals in your minute of 12 February to the Prime Minister. The emphasis you are placing on control by running cost limits should provide some useful flexibility. But I recognise that we shall still have to keep a close grip on manpower.
2. You are doubtless well aware of the difficulty which Departments face in discussing running cost limits with the Treasury in the absence of a Whitehall-wide pay assumption. It is clearly right that there should be no published pay factor but we will need the Treasury's informal guidance on this point. If the outcome of the pay settlement cannot be accommodated within running cost ceilings I welcome your suggestion that there should be further consideration in July.
3. I am sending copies of this minute to the Prime Minister and Cabinet colleagues, the Minister of State (Privy Council) and Sir Robert Armstrong.

(GEOFFREY HOWE)

Foreign and Commonwealth Office  
17 February 1987