

CONFIDENTIALPRIME MINISTER

GUIDELINES FOR THE 1987 SURVEY

The Chief Secretary's minute below sets out the proposed guidelines for the 1987 Public Expenditure Survey.

These should cause no difficulty, except perhaps on one point. The Treasury propose, as in each of the last three Public Expenditure Surveys, to create the baseline for the new final year of the survey (1990-91) by increasing expenditure by 2½ per cent. Against this, the FSBR, published with the Budget, shows a GDP deflator in 1990-91 of 3 per cent. The result, in effect, is to give the Treasury a half per cent of expenditure to distribute around programmes to meet bids during the course of the Survey.

Some colleagues may protest at this, arguing that even 3 per cent is unrealistic. But it is essential. I suggest you agree the Chief Secretary's proposals now, subject to the views of colleagues, to avoid a head of steam building up against it.

Agree?

Yes *mt*

DNR

D R NORGROVE
19 March 1987

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