

1987 PUBLIC EXPENDITURE SURVEY

The Chief Secretary's anodyne minute below suggests that you should now establish the Star Chamber. You have of course already formally told Cabinet that you intend to establish the Star Chamber if that proves to be necessary. But you will wish to mention at Cabinet tomorrow that it is now to be set up.

You have a meeting with the Lord President and the Treasury on Monday to go through the agreements reached with the Chief Secretary and to discuss programmes outstanding. The Treasury's present assessment is as follows:

Defence

Mr. Younger wants a provisional settlement, subject to the outcome of his next long term costings exercise. The Treasury have offered a smaller sum on that basis and a larger sum if he is prepared to accept it outright. Mr. Younger wants the larger sum and the option of coming back for more. Likely to go to the Star Chamber.

FCO Diplomatic

Should soon be settled.

FCO Aid

May be settled between Lord Whitelaw and Sir Geoffrey Howe.

Agriculture

Expect to settle shortly.

DTI

Settled, provided the territorial departments go along with the changes to Regional Development Grant. (I have made it clear that you expect to be consulted about the policy on RDG.)

Energy

Virtually settled. (Large increase in electricity prices in prospect, partly because they should not have been frozen this year.)

Transport Expect to settle shortly.

DoE Virtually settled.

Home Office Expect to settle shortly.

Lord Chancellor Virtually settled.

DES A very long way apart but some feeling in the Treasury that Mr. Baker may suddenly settle.

Arts and Libraries May settle. (They have been offered a three-year deal.)

Health Not settled and even if they do a discussion may be needed with colleagues to check that the terms are acceptable politically.

Social Security Settled.

Employment Should be settled soon.

Scotland Not yet settled.

Wales No discussion held as yet.

Northern Ireland Settled.

The candidates for the Star Chamber are thus Defence, Health, Education, Aid, Scotland and possibly Arts and Libraries. It is, however, unlikely that all will go and the Star Chamber should have a much easier time than last year.

DAN

(DAVID NORGROVE)

30 September 1987