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RA + BIF with  
meeting, before the  
Wednesday's 14th Dec.

RAC6,  
27/6

PRIME MINISTER

1988 PUBLIC EXPENDITURE SURVEY

I have arranged to extend your weekly bilateral with the Chancellor next Wednesday to an hour, so that half an hour can be devoted to discussing the picture emerging in this year's PES and the handling of the 14 July Cabinet discussion. The Chief Secretary will join the meeting for that aspect.

The Treasury will be preparing a paper before that meeting, but I fear it will not be available until you return from Hanover. Meantime, you may like to glance at the attached summary the Treasury prepared earlier in the month of the Departmental bids. As I explained in an earlier note, these are higher than last year, but not markedly so. Nonetheless, the extra amounts spending Ministers are seeking are clearly way out of the question, and demonstrate the need for the very tough approach you discussed with the Chancellor here today. One figure to bear in mind is that only about £3.5 billion is available in 1989-90 to redistribute to spending programmes from the existing Reserve of £7 billion while still maintaining an adequate Reserve to start the year of £3.5 billion. This compares with departments bids for extra spending of £8.4 billion.

Recd.

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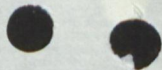
PAUL GRAY

24 June 1988

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PRIME MINISTER

1989 PUBLIC EXPENDITURE SURVEY

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21 June 1989

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