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FROM: CHIEF SECRETARY
DATE: 4 October 1989

PRIME MINISTER

1989 PUBLIC EXPENDITURE SURVEY

At its meeting on 12 July, Cabinet adopted the objectives of maintaining the downward trend in the ratio of public spending (excluding privatisation proceeds) to GDP, and holding as close as possible to existing plans. It is against the background of these objectives that I have been conducting bilateral discussions with departmental Ministers.

2. I have now had at least one discussion with nearly all colleagues and it has been possible to make a substantial degree of progress in reducing the number of outstanding issues. A number of departmental programmes have been settled; others are close to settlement. I will be continuing discussions with colleagues over the next few days. However, it is clear that on some programmes some difficult issues remain.

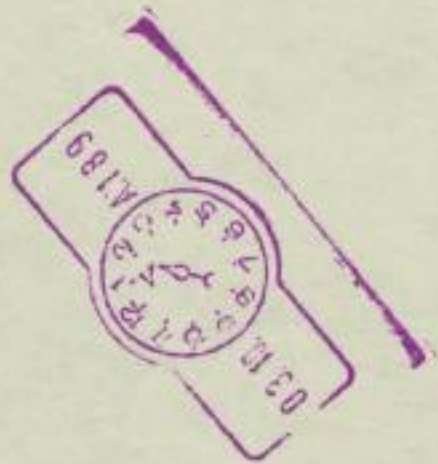
3. Cabinet agreed in July that, if it was impossible to reach agreement on all programmes bilaterally, you would establish a small group of colleagues to consider the outstanding issues and make recommendations to Cabinet. You may feel that it would now be appropriate to establish such a group so that it can begin work after the Party Conference on any questions which by then are still unresolved.

4. As in previous years, I will ensure that the outcome on all programmes and the main policy changes involved are reported to Cabinet at the end of the Survey.

5. While negotiations continue on a significant number of programmes, I would be grateful if all colleagues could agree with the Treasury any references they may make in their Party Conference speeches to policy changes with expenditure implications.

6. I am sending copies of this minute to Cabinet colleagues, the Ministers for the Arts and for Overseas Development, the Attorney General, the Lord Advocate and to Sir Robin Butler.

NORMAN LAMONT



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