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DA

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

25 October 1989

Dear Carys,

1989 PUBLIC EXPENDITURE SURVEY

The Prime Minister was most grateful for the Chief Secretary's minute of 24 October. She has noted the contents of his report on progress so far in the public expenditure round.

The Prime Minister and the Chancellor briefly discussed the position reached at their bilateral this afternoon. One possibility raised was that a change might be made to the present assumption of a 5% real terms increase in council house rents in the next financial year. Although this produced a £200 million saving on the housing programme as compared with zero real terms change, some 85% of this saving would be offset via additions to the social security budget. Against that background it was for consideration whether this approach was appropriate bearing in mind the impact of 0.1% on the RPI in Spring 1990. Following a brief discussion the Prime Minister and Chancellor agreed it would be preferable to adopt a zero real terms change in rents next year.

I am copying this letter to John Gieve (Chancellor's Office).

Yan.
Paul

(PAUL GRAY)

Miss Carys Evans,
Chief Secretary's Office.

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