

dti

the department for Enterprise

CONFIDENTIAL

Prime Minister

To note. The Industry Secretary
has agreed cuts on baseline
provision with the Chief Secretary.

BHP

24/9

The Rt. Hon. Peter Lilley MP
Secretary of State for Trade and Industry

The Rt Hon Norman Lamont MP
Chief Secretary to the Treasury
Treasury Chambers
Parliament Street
London
SW1

Department of
Trade and Industry

1-19 Victoria Street
London SW1H 0ET

Enquiries
071-215 5000

Telex 8811074/5 DTHQ G
Fax 071-222 2629

Direct line 071 215 5622
Our ref NP1068
Your ref
Date 24 September 1990

Dear Norman,

1990 PUBLIC EXPENDITURE SURVEY

I am writing to confirm the settlement we reached last Thursday following several private discussions over the last few weeks.

In the light of the problems we are facing on public expenditure over the Survey period, you expressed the hope that I could contribute further to the overall public expenditure outcome that you are seeking and that we could reach a settlement ahead of the bilateral.

I explained that Nicholas Ridley's original bids were very tight. They followed large reductions in baselines in last year's Survey and would have been further below baseline had it not been for factors beyond the Department's control, particularly interest rates. The bids, which incorporated a 5 per cent reduction in the Department's manpower over the Survey period, were about the most moderate among Whitehall departments.

Nevertheless, in view of the exceptional difficulty of this year's Survey, and the political importance of a satisfactory outcome, I offered and we agreed to settle at £2 million below baseline in 1991/92 and £10 million below baseline in the three years taken together. The new baseline will be £1,035.3m in 1991/92 and £2,956.3m for the three years together. We agreed that I would be free to determine the allocation of these totals between individual programmes and between programme expenditure and running costs, and the balance of the totals for 1992/93 and 1993/94.



Recycled Paper



the department for Enterprise

CONFIDENTIAL

I must emphasise the difficulties these totals will cause for my Department. The settlement we have now reached involves a reduction of £154 million compared with Nicholas's original tight bids. While some of that reduction reflects estimating changes, it will also require significant cuts in programmes. I am prepared to make the necessary reductions in order to help you with the Survey overall; but I will need some time, up until Estimates, to consider how this can best be achieved.

At our meeting on Tuesday I suggest that we note the agreement we have reached as recorded in this letter before moving on to substantive discussion of the Post Office and ECGD.

I am copying this letter to the Prime Minister.

Yours ever
C.
Tate



Recycled Paper

