

CCPU



FROM: CHIEF SECRETARY

DATE: 3 October 1990

PRIME MINISTER

1990 PUBLIC EXPENDITURE SURVEY

I warned Cabinet last April, and again in July that this Survey would be exceptionally difficult.

2. That has proved to be the case. Indeed subsequent developments have made matters even worse.

3. My bilateral discussions with departmental Ministers over the past few weeks have been conducted against the background of Cabinet's agreement that strict control of spending should be maintained and that the defeat of inflation should be our top priority. In line with the Cabinet remit I have been asking colleagues to withdraw or drastically reduce their bids, and to find savings to offset any increases which they regard as essential.

4. I have now had a 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 a number of difficult issues remain.

5. 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

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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.

6. 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.

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

8. I am sending copies of this minute to Cabinet colleagues, David Mellor, Lynda Chalker, Patrick Mayhew, Peter Fraser and Sir Robin Butler.

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NORMAN LAMONT