

PRIME MINISTER

1990 PUBLIC EXPENDITURE SURVEY

Attached is the Chief Secretary's minute formally requesting that Star Chamber be established. Star Chamber would begin work after the Party Conference, if necessary.

My understanding is that the Chief Secretary has faced some setbacks within the last 48 hours. First, Health which had appeared close to settlement, has proved distinctly difficult. Second, contrary to expectations, no deal was struck with Social Security yesterday evening. And third, the employment programme is still proving awkward - though your discussion with Mr. Howard this morning should enable better progress.

You agreed yesterday that it would be appropriate to set up the machinery for Star Chamber. (The Chief Secretary's view is that the probability of requiring Star Chamber has since increased.) Whether it will be necessary for Star Chamber to sit must await further negotiations, including those at the Party Conference. Which Ministers should serve on Star Chamber also cannot be decided until it is clear which Departments have settled.

I suggest that the No.10 reply might make three main points.

- (i) It should give formal approval for Star Chamber to be established under the chairmanship of the Lord President (with membership to be decided later). It should also set a clear deadline for bilateral settlement: unless programmes are settled by Friday 12 October they will go to Star Chamber.
- (ii) The minute should express the hope that colleagues will be able to settle bilaterally before that deadline. There should follow a warning that given the overall pressures on public expenditure, colleagues who opt to go into Star Chamber cannot expect their settlements to be as generous as for

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programmes negotiated bilaterally with the Chief Secretary. It is important that those Ministers which have settled early are not disadvantaged by apparently more generous treatment under the Star Chamber.

- (iii) The point made in paragraph 7 of the Chief Secretary's minute is a good one. Any references in Party Conference speeches to policy changes with expenditure implications need to be cleared in advance with the Treasury.

It is of course normal practice for me to minute out on your behalf:

Content for me to minute out as above

OR

Do you wish to sign a minute along the above lines?

Yes

BHP

(BARRY H. POTTER)

4 October 1990

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