

● PRIME MINISTER

PUBLIC EXPENDITURE SURVEY

I had a further progress report this evening from the Treasury on the PES negotiations.

First, seven Departments have settled subject to finalising details, eg the split of provision amongst sub-programmes, running costs etc., as follows:

- Department of Transport
- Department of Health
- Department of Trade and Industry
- Department of Energy
- Ministry of Agriculture, Fisheries and Food
- Northern Ireland Office
- Department of the Environment

Second, in four Departments negotiations are well advanced; and there is a firm expectation of a settlement. These are:

- Welsh Office
- Scottish Office
- Foreign and Commonwealth Office
- Department of Social Security

Third are the three programmes which had earlier seemed destined for Star Chamber. As often happens considerable progress has been achieved at the Party Conference.

- i) The Chief Secretary believes he can now reach an accommodation with the Home Secretary and is seeing him again on Monday.
- ii) Mr. King wishes to avoid taking Defence to Star Chamber; he is also anxious to see the Chief Secretary on Monday.
- iii) That leaves Department of Education from the original list. While progress has been made in narrowing the differences, there is no clear indication yet of whether Mr. MacGregor will stick to his ground and go to Star Chamber.



Finally, although again some progress has been made, particularly on reducing resources for Employment Training (ET), Mr. Howard is proving very difficult. He seems less wary of Star Chamber than his colleagues.

The Treasury's assessment is that Education and Employment are the most likely to go to Star Chamber, although the Defence Secretary (and the Minister for the Arts, where negotiations have yet to get properly underway) are also candidates. That said, the Treasury expectation is that Star Chamber will probably not have to be convened.

Overall Outcome

It is too early to say what the overall planning total figure will be. Treasury are hopeful that the addition to the £192bn planning total baseline for 1991-92 can be held to less than £10bn, although an outcome below £200bn is not expected.

The implications for the GGE/GDP ratio over the next three years have also still to be worked out. They depend on assumptions about local government self-financed expenditure - that is, community charges and net capital spending; debt interest payments; and the forecast of GGE itself. Treasury forecasters are working on the latest forecasts of GGE.

Conclusion

It would be premature to set up the Star Chamber formally at this stage. All members of the Star Chamber have been informed: diary arrangements have been made. Treasury want to assess from day to day if and when Star Chamber should be "triggered".

After the Home, Defence and Education Secretaries have had their further discussion on Monday, I will provide a further report.

BHP

BARRY H. POTTER

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