

FROM: CHIEF SECRETARY

DATE: 21 March 1984



PRIME MINISTER

PUBLIC EXPENDITURE SURVEY

We need to settle guidelines for this year's Public Expenditure Survey, which will take us to the year 1987-88. Proposals are set out in the annex to this minute. They are largely procedural and technical and have been discussed at official level. I propose that work on these lines should now be set in hand.

2. I shall make proposals in July about possible objectives for this year's Survey in the light of the work which will be done by officials. But we need to establish now a baseline for the Survey - the starting point from which proposals for increases and decreases will be discussed by colleagues. For 1985-86 and 1986-87 the baseline will be the cash plans in Cmnd 9143, as modified by the Budget and other agreed changes. For 1987-88, I propose an uplift of 2½ per cent in the cash provision made for the various services in 1986-87.

3. On the assumptions about general inflation in the new Medium Term Financial Strategy, that baseline would imply some reduction in individual programmes in real terms in 1987-88, to the extent of course that this was not offset by efficiency improvements. It is convenient that we should establish a margin in this way in order to facilitate the adjustment of priorities between programmes during the Survey. But this does not in any way prejudice our eventual decisions on the total or its distribution.



4. The timetable I propose is somewhat earlier than last year and aims for a discussion in Cabinet on 5 or 12 July. This would allow us a little longer for preparatory work before we begin detailed bilateral discussions after the Summer break. I hope that these would lead to final Cabinet decisions in October and an autumn statement rather earlier in November than last year, when we were delayed by the General Election.

5. I draw colleagues' particular attention to three points:

a) I hope that they will ensure that their departments adhere strictly to the deadlines in the Survey timetable (paragraph 2 of the guidelines). These have been set as realistically as possible, and great practical difficulty is caused if the dates are not met.

b) I expect to pay particular attention in this year's Survey to departmental running costs which have been rising at a rate faster than inflation generally. (paragraph 20 of the draft guidelines).

c) Colleagues will understand that for reasons of security it is not possible to circulate widely regular reports on the Survey as it progresses. I would therefore ask Ministers who wish to propose changes (or who reach agreement with me in the bilaterals) to ensure that others with a related interest are fully consulted, particularly in the later stages. The Treasury will, of course, do its best to help in this.

6. Accordingly, I now seek colleagues' agreement that:-

a) Officials should produce the annual Survey report in the form and to the timetable specified in the guidelines annexed to this minute; and

b) Officials should similarly produce a report on options for reductions to produce programme savings in cash of 3 per cent from the baseline in each of the Survey years.



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7. I am also enclosing for colleagues' information the guidelines for the future operation of the Reserve. These have been extensively discussed at official level and I hope that they will meet with colleagues' approval.

8. I am sending copies of this minute to Cabinet colleagues, to Grey Gowrie and to Sir Robert Armstrong. It would be helpful to receive any comments not later than 28 March. [REDACTED]



PETER REES