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cc DW.
B/07

Treasury Chambers, Parliament Street, SW1P 3AG

Andrew Turnbull Esq
Private Secretary
10 Downing Street
London SW1

19 June 1985

Dear Andrew

PUBLIC EXPENDITURE PRIORITIES

Many thanks for your letter of 17 June about Sunday's Cabinet meeting.

I attach a draft speaking note (approved by the Chief Secretary) which the Prime Minister may wish to draw on at Cabinet tomorrow (and perhaps also on Sunday) in letting members of the Cabinet know what framework she envisages for the discussion on public expenditure priorities.

Yours sincerely
Richard

R J BROADBENT
Private Secretary

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SPEAKING NOTE ON PUBLIC EXPENDITURE PRIORITIES CABINET

① We are meeting at Chequers on Sunday afternoon for a discussion of public expenditure priorities. I want to say something now about the discussion rather than have papers and briefs sent round which will leak.

② We have had an enormous problem on public expenditure - not just this year but every year, keeping its growth under control, keeping the lid on. A number of colleagues have said that it would be helpful to have a discussion, outside the usual Survey machinery, about our public expenditure priorities within a given total, and over a reasonable time horizon. I agree with this. But the last thing we want is a pre-run of the Chief Secretary's bilaterals, hearing that this or that individual item of spending is vital or not, as the case may be.

④ So I hope that each member of the Cabinet will approach the discussion from the standpoint of the government as a whole, and not as departmental advocates. We should be thinking about how we want to adjust the balance between programmes over the time-scale of last year's Green Paper, The Next Ten Years, standing back from individual issues which arise in this year's expenditure round. We might even think of setting ourselves the ground-rule for the discussion that anyone who proposes an increase in a particular area should also propose a specific offsetting decrease somewhere else.

⑤ So I hope that you will not allow your departments to do a lot of unnecessary briefing. It will be a meeting without papers (except the long-term Green Paper); and I hope it will help us clear our minds about our priorities within the public expenditure objectives we have set ourselves.

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