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From the Secretary of State for Social Services

The Rt Hon John MacGregor OBE MP
Chief Secretary to the Treasury
HM Treasury
Parliament Street
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NBN.

17 February 1987

Dear John

HANDLING OF THE 1987 PUBLIC EXPENDITURE SURVEY

File with DEN

Thank you for copying to me your minute of 12 February to the Prime Minister.

I agree generally with your proposals subject to the following points:

- (a) I trust that the Treasury's right to require Departments to produce or cost options within our programmes will be used sparingly. A great deal of time and effort can be consumed by such exercises and they should be undertaken only when necessary to test bids and priorities.
- (b) I welcome your proposal to dispense with the Survey Report and hope that we can productively use the time by concentrating our efforts on improving our analysis of our programmes and our budgeting.
- (c) I am sure we are right to rely after April 1988 on control of running costs rather than control of manpower numbers. The latter has been effective up to a point but is becoming increasingly inefficient. While I appreciate your concern that the total size of the Civil Service should not be allowed to rise when we go over to relying on control of running costs, I would not wish to end up with two concurrent forms of control of administrative expenditure, by running costs and by manpower control. The scrutiny of Departments' forward manpower plans, such as is proposed in paragraph 14 of your minute, looks very much like a dual system. I should prefer that we rely solely on control of running costs and ensure that we make that control work.

I am copying this letter to the Prime Minister, Cabinet colleagues, Richard Luce and to Sir Robert Armstrong.

Yours

NORMAN FOWLER

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