

PRIME MINISTER

PUBLIC EXPENDITURE

You agreed with the Chancellor that it would be a good idea for you to remind spending Ministers of the need for restraint in proposing increases to their public expenditure programme.

Spending Ministers have been asked to submit letters setting out any bids to the Chief Secretary by the end of May. So this Cabinet is the last one at which you might affect their letters.

A speaking note is below.

N.L.W.

N.L. WICKS
21 May 1986

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PUBLIC EXPENDITURE: SPEAKING NOTE

We shall soon be starting the 1986 public expenditure survey. The Chief Secretary asked colleagues to scrutinise their programmes personally with the aim of avoiding increases in the plans agreed in the autumn and to write to him by the end of this month if they had to propose any increases.

It is all the more important now to manage within the totals already agreed for central government programmes. Local authority spending has been rising very fast - 8 per cent this year according to their budgets. The local election results mean that our supporters will find it even more difficult to stop this, particularly since the pay of local authority employees is rising so fast.

We cannot afford to lose control over public expenditure. This would put at risk not only our achievement in reducing inflation but would endanger our ability to make further progress in reducing interest rates which is essential, both politically and economically.

So I do ask colleagues to avoid a contentious public expenditure survey and to meet any unavoidable increases by reordering priorities in their own programmes wherever they can, and to do their utmost to avoid asking for more money.

I must also ask colleagues to refrain from any public campaigning, briefing, lobbying or whatever in support of their bids and programmes. I would have to take a very serious view of any such action. It would damage the Government's credibility, unsettle our supporters and provide ammunition to our opponents. It must not happen.

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Treasury Chambers, Parliament Street, SW1P 3AG

David Norgrove Esq
Private Secretary
10 Downing Street
London
SW1

21 May 1986

Dear David,

PUBLIC EXPENDITURE SURVEY: SPEAKING NOTE

I understand the Prime Minister did not use the speaking note I sent under cover of my letter of 13 May. *File with NLW*

... The Chief Secretary and the Chancellor have suggested a few amendments to the note I sent last week. I attach a revised draft.

The Chief Secretary thought it might also be useful if the Prime Minister could consider cautioning against conducting the public expenditure round through the columns of the Press.

Yours
Jill

JILL RUTTER
Private Secretary

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PUBLIC EXPENDITURE: DRAFT SPEAKING NOTE FOR THE PRIME MINISTER

We will shortly be starting on the 1986 Public Expenditure Survey. The Chief Secretary asked colleagues to scrutinise their programmes personally with the aim of avoiding increases to the plans agreed in the autumn and to write to him by the end of this month if they had to propose any increases.

2 Restraint of public expenditure is always painful, and it is clear that the pressures we will face this year will be exceptional. For example, local authority spending has been rising very fast - up 8 per cent this year according to their budgets. Next year we face more hostile authorities, a problem compounded by already severe upward pressures on pay among local authority groups.

3 Nevertheless, we cannot afford to lose control over public expenditure. X This would put at risk not only our achievement in reducing inflation but would endanger our ability to make further progress in reducing interest rates which is essential, both politically and economically. X

4 Despite the severe pressures, we need to avoid a contentious Public Expenditure Survey this year. So I do ask colleagues to do their utmost to meet any unavoidable increases by redetermining priorities in their own programmes and to avoid asking for increased allocations.

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