

Confidential

Prime Minister



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Treasury Chambers, Parliament Street, SW1P 3AG

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JU*

Rt Hon John Nott MP
Secretary of State
Ministry of Defence
Main Building
Whitehall
London SW1A 2HB

25 March 1982

Re: Secretary of State,
1982 PUBLIC EXPENDITURE SURVEY

... I enclose a copy of a minute which I have sent to the Prime Minister, setting out my proposals for the handling of the 1982 Public Expenditure Survey. As you know, we always circulate proposals of this kind at this time in the year, so as to get the exercise off to a good start, with Cabinet backing.

The paper suggests how we might establish a baseline for the 1982 Survey by projecting the already-agreed figures for 1984-85 for one further year. In most cases we can do this mechanically, by applying a straight 4 per cent increase. In the case of the Defence Budget, there is an existing Cabinet decision which effectively decides the level of the Defence Budget in that year. This explains why I have suggested that we should treat you separately this year, rather than apply a mechanical projection which is out of line with the existing Cabinet agreement. Since this operates in your favour, I do not suppose you will object.

The paper also calls for the production of "options" from all departments. In the case of the Defence Budget, I do not think this is strictly necessary, or indeed useful. Later in the year we may have to look further at the question of the level of Defence expenditure. But at this stage, I don't think that somewhat artificial "options for reduction" will make much sense. So I do not ask you at this stage to produce "options" for the Ministry of Defence. Nor would we ask you provide "offsetting savings" for any additional bids you may make.

I am sending a copy of this letter to the Prime Minister.

yours sincerely

*Confidential for LEON BRITTAN
(Approved by the Chief Secretary & signed in his absence.)*