

CHIEF SECRETARY

cc. / Chancellor of the Exchequer  
 Financial Secretary  
 Minister of State (C)  
 Minister of State (L)  
 Sir D Wass  
 Sir A Rawlinson  
 Sir L Airey  
 Sir F Atkinson  
 Mr Couzens  
 Mr Bailey  
 Mr Anson  
 Mr Butler  
 Miss Brown  
 Mr Unwin  
 Mr Ridley  
 GECS

*8000*  
*9000*  
*12000*  
*100*  
*82*

PROPOSALS ON PUBLIC EXPENDITURE

You asked for an aide-memoire for your meeting this afternoon with the Prime Minister setting out the figures on the proposals in your Cabinet paper on cuts and on cash limits.

2. In total the proposals add up as follows:

	£m (at 1979 survey prices)	
Cash limits squeeze of <u>4-5%</u> on non-pay expenditure		
- central government (including higher VAT)	450	
- local authority capital expenditure	<u>150</u>	600
Cash limits squeeze on pay		
- 2½-4½ on civil service and fringe bodies	75-140	
- health service	<u>25</u>	100-165
Cut. in rate support grant		200
Cuts in programmes (as in Annex to Cabinet paper plus £60m for Scotland and N. Ireland)		<u>800</u>
Cut in contingency reserve		300 →
Disposals		<u>750-1000</u>
TOTAL		2750-3065

*156*  
*J.A.I.*  
*AP*

Some other figures:

a) Total planned public expenditure 1979-80 in Cmd 7439 at 1979 survey prices	£72,500m
Cuts as %	4%
b) Planned increase in total public expenditure 1978-79 to 1979-80	£ 1,400m
c) Non-pay element of central government cash limit (excluding RSG)	£11,300m
Squeeze as %	4%
d) Local authority capital expenditure covered by cash limits	£ 4,700m
Squeeze as %	3%
e) RSG cash limit, England and Wales, adjustment for higher pay	£ 8,000m
Cut as %	2½%
f) Cost of pay settlements on top of existing provision in cash limits	
- central government (including armed forces and assumed comparability awards)	£ 850m
- RSG	£ 300m
g) Pay bill	
- central government	£11,000m
Cut as % (after exceptions for armed forces, NHS staff in support of patients, and university teachers)	1-1½%
- local authorities	£10,000m
£200m cut as %	2%

SAR

S A ROBSON  
16 May 1979