

Prime Minister



PRIME MINISTER

FLEXIBILITY BETWEEN FINANCIAL YEARS

*Speed - we can look at it again after the Rayner study*

*Agree proposal at X? MOD, who have been the main exponent of "flexibility", agree that this is right.*

*PT3 R 14/9*

At Cabinet's discussion of public expenditure on July 23 I was asked to "arrange for officials to consider the question of end-year flexibility and report back to Cabinet in due course" - C(79)11th.

2. This followed a proposal in my paper, C(79)26, that, subject to certain conditions, arrangements might be introduced to carry forward limited amounts of unspent allocations within cash limits from one financial year to the next. The conditions, which are important, were:

- (i) provision for expenditure likely to be carried forward must not add to public expenditure planning totals;
- (ii) the scheme should be limited to expenditure for which there is a strong managerial case for carry-over, principally capital expenditure;
- (iii) the scheme should not imply relaxation in the strict observance of cash limits.

On this basis, Treasury officials put forward a scheme to departments for carry-over of up to 5% of eligible expenditure from this year to next. The potential addition to programmes in 1980-81 was to be financed by a contribution from the programmes of Departments participating in the scheme.

With one small exception, Departments have said that they do not want to participate in the scheme, generally because they are not able to provide the contribution required from their programmes. Without such a contribution, it is unlikely that the first of my three conditions would have been met. The effect would have been to add to programmes in 1980-81 and to increase the problems which we already face on next year's PSBR.

X | Sir Derek Rayner has indicated that he will be examining the application of the accounting conventions in government business, including the annuality rule. In these circumstances I propose that we await the results of Sir Derek's work and that in the meantime defer the proposal that a scheme of carry-forward should be introduced.

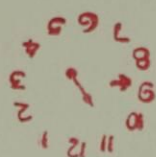
Provided that adequate provision for it can be made within an acceptable total for public expenditure in 1981-82, which is a decision for next summer, I do not exclude being able to introduce a scheme on these lines next year.

I am copying this minute to other members of the Cabinet, to Sir John Hunt and to Sir Derek Rayner.

WJB

JOHN BIFFEN

11 September 1979



12 SEP 1979

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+ TRANS

Econ. Pol. v. 18

10 DOWNING STREET

*From the Private Secretary*

17 September 1979

Flexibility Between Financial Years

The Prime Minister has considered the Chief Secretary's minute of 11 September on the above subject, and agrees that the proposal for a scheme of carry-forward should be deferred for the time being, and that it should be looked at again after Sir Derek Rayner's study on accounting conventions in Government business is completed.

I am sending a copy of this letter to the Private Secretaries to members of the Cabinet, to Martin Vile, and to Sir Derek Rayner.

T. P. LANKESTER

A. C. Pirie, Esq.,  
Chief Secretary's Office.

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