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C(79) 54

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6 November 1979

CABINET

PUBLIC EXPENDITURE 1981-82 TO 1983-84

Memorandum by the Chief Secretary, Treasury

1. As requested by Cabinet on 25 October (CC(79) 18th Conclusions, Minute 4), I have had further discussions with the Secretaries of State for the Environment and Education and Science. The outcome is:-

i. On housing, the Secretary of State for the Environment has agreed to achieve savings as follows:-

	£m 1979 Survey prices		
	1981-82	1982-83	1983-84
Reductions proposed in C(79) 35	1560	2035	2355
Reductions now agreed	1422	1798	2038

We have agreed that he should remain free to decide the allocation between current and capital expenditure. My minute of 6 November to the Prime Minister gives the details.

ii. On education, I have agreed with the Secretary of State to retain the further reduction that I proposed in the planned expenditure on higher education but to forgo both the reduction on non-advanced further education and a small part of the reduction on school teachers and non-teaching costs (to ease the transition to lower numbers of pupils and teachers). As a partial offset however the provision for the assisted places scheme has been substantially reduced as it is now intended to introduce the scheme for new pupils only. The resulting savings are:-

	£m 1979 Survey prices		
	1981-82	1982-83	1983-84
Reductions proposed in C(79) 35	709	918	1078
Reductions now agreed	608	773	924

My letter of 31 October to the Secretary of State sets out the details.

2. This completes the decisions on the later years, subject to points to be settled on agriculture, which depends on the agricultural policy review, on the phasing of gas prices, and on Civil Service staff savings. The outcome shown in Annex A assumes:

- (1) on agriculture, the figures proposed by the Treasury from 1981-82 onwards: this is entirely without prejudice to the eventual decision between the Treasury's proposals and those put forward by the Minister of Agriculture, Fisheries and Food;
- (2) on staff savings, acceptance of the Civil Service Department's proposals;
- (3) on gas prices, agreement to such phasing as will preserve the financing figures for nationalised industries assumed in C(79) 56.

Before publication the figures will be adjusted as decisions are made on the issues mentioned above or, for example, on revisions of the economic assumptions. A draft of a White Paper will be prepared based on these figures, but involving more grouping and rounding of the figures for the later years than in previous White Papers.

CONCLUSION

3. I invite the Cabinet to take note.

J B

Treasury Chambers

6 November 1979

Defence programme	7550	7509	7824	8062	8250	8450	8650
FCO (ODA)	774	839	847	839	809	774	774
FCO (other) (1)	271	293	311	294	280	275	273
EEC Budget (incl IBAP)	958	1164	1185	1481	1549	1784	2028
MAFF/DAFS/WOAD (excl IBAP) (1)	748	567	504	586	495	436	403
Forestry Commission	52	54	64	57	58	58	59
Industry	1050	1016	1035	995	812	644	610
Trade	184	170	192	183	158	148	148
ECGD	-173	432	-22	134	57	17	-38
Employment	1039	1111	1110	1139	1045	999	968
Energy	309	406	301	312	314	306	291
Transport	2513	2507	2601	2421	2360	2300	2300
DOE (housing) (2)	4617	4376	4460	4296	3963	3685	3445
DOE (PSA)	370	357	334	327	324	303	303
DOE (other)	2562	2588	2590	2481	2444	2395	2395
Home Office	1959	2049	2073	2150	2212	2269	2304
Lord Chancellor's Dept	118	126	138	151	162	171	178
Education & Science	8048	8232	8300	7958	7844	7676	7527
Arts & Libraries	342	352	358	350	335	330	330
DHSS (health)	6246	6421	6442	6586	6642	6769	6769
DHSS (personal social services)	1076	1112	1154	1066	1087	1110	1132
DHSS (social security)	16595	18213	19058	19289	19295	19060	19366
HMSO	90	99	101	100	95	90	85
CSD (civil superannuation)	385	407	442	465	494	524	558
COI	24	28	34	25	23	22	22
Scottish Office (excl DAFS)	3665	3729	3774	3685	3670	3626	3591
Welsh Office (excl WOAD)	1044	1104	1122	1067	1055	1044	1032
Northern Ireland (incl NIO)	2054	2232	2215	2150	2126	2108	2117

Total of major spending Dep artments above (2)	64470	67493	68547	68649	67958	67373	67620
Projected outturn including all Depts, nationalised industries, contingency reserve, sales of assets and shortfall (2) (3)	65848	69767	69797	69829	69763	68968	69020
<u>For comparison:</u>							
Total projected in previous Govt's White Paper (Cmd 7439) revalued	-	69812	71890	73436	75977	77220	77200

- (1) Partly subject to British Council review (FCO) and agricultural policy review (MAFF).
 (2) Published totals will reflect gross reductions in Option Mortgage Subsidy (ie they will be about £50m p.a. lower).
 (3) Assumes further staff savings, some of which will reduce the major spending Depts' totals shown.