



Treasury Chambers, Parliament Street, SW1P 3AG  
01-233 3000

PRIME MINISTER

PUBLIC EXPENDITURE FIGURES

You may like to have on your return a completed "scorecard" of the cuts in programmes for 1980-81 as agreed by Cabinet. There are still one or two loose ends to be tied up, but I do not expect the picture shown by the attached table to change very much. The cuts amount to nearly £3.5 billion (nearly 5 per cent of the former programmes) plus a reduction of £0.3 billion in planned borrowing by the nationalised industries.

the (familiar)  
list attached  
MS

2. On top of that, Cabinet agreed to reduce the contingency reserve for 1980-81 to £750 million; and to aim at asset disposals of £½ billion, and savings of £150 million from the CSD exercise on staff savings.

So the total reductions are:-

|  | £ million<br>at 1979 Survey prices |
|--|------------------------------------|
| Reductions in programmes                         | 3435                               |
| Reductions in nationalised industries' borrowing | 300                                |
| Reduction in contingency reserve                 | 777                                |
| Sales of assets                                  | 500                                |
| Target for civil service savings                 | 150                                |
| TOTAL (rounded)                                  | 5160                               |

/3. This



3. This falls short of my original target of £6½ billion by £1340 million. On present estimates for 1979-80 (which are still very uncertain at this stage) it should mean that expenditure in 1980-81 will be about the same as, or a little lower than, 1979-80.

4. This does not of course mean that the ratio of expenditure to GDP will necessarily be similar in the two years. The relative price movement is currently expected to add ½ per cent to the real cost of public expenditure in 1980-81, as a consequence of the "catching-up" settlements in the public services. The ratio also depends on the movement of the GDP: if GDP falls in 1980-81, this will increase the proportion of GDP represented by public expenditure. It was for these reasons that I proposed reducing expenditure by £6½ billion.

5. Some of the programmes are affected by economic factors such as unemployment or interest rates. We will have to look at the estimates for these programmes again in the light of the autumn economic forecasts and there may be some further adjustment in them then.

6. I am copying this minute to Sir John Hunt.

A handwritten signature in black ink, appearing to be 'G.H.'.

(G.H.)

6 August, 1979

*early warning  
that public  
expenditure may  
still rise as a  
proportion of GPP  
from 79/80 to 80/81  
- by 1½-2%??*

6 AUG 1979

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TO: [Illegible]

FROM: [Illegible]

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## PUBLIC EXPENDITURE

£ million at 1979 Survey Prices

|  | 1979/80              | 1980/81                        |                              |
|--|----------------------|--------------------------------|------------------------------|
|  | post-budget<br>plans | "Cuts" on<br>inherited<br>plan | Plans after<br>"cuts" agreed |
| Defence  | 7,927                | -115                           | 8,062                        |
| Aid  | 956                  | -115                           | 896                          |
| FCO (other)                                      | 311                  | - 13                           | 295                          |
| EEC Budget                                       | 787                  | +236                           | 1,023                        |
| MAFF   | 1,036                | - 43                           | 964                          |
| Forestry   | 65                   | - 5                            | 57                           |
| Industry   | 1,004                | -187                           | 960                          |
| Trade  | 191                  | - 12                           | 179                          |
| ECGD   | -153                 | +170                           | 170                          |
| Employment                                       | 1,096                | -513                           | 1,139                        |
| Energy   | 315                  | - 7                            | 315                          |
| Transport  | 2,675                | -250                           | 2,422                        |
| Housing  | 4,592                | -1000                          | 4,266                        |
| PSA  | 343                  | - 54                           | 332                          |
| DOE (other)                                      | 2,529                | -225                           | 2,501                        |
| Home Office                                      | 2,085                | + 24                           | 2,151                        |
| Lord Chancellor                                  | 141                  | - 4                            | 150                          |
| Education & Science                              | 8,258                | -437                           | 7,966                        |
| Arts & Libraries                                 | 364                  | - 28                           | 350                          |
| DHSS (Health and<br>personal social<br>services) | 8,095                | -203                           | 8,136                        |
| DHSS (Social Security)                           | 19,384               | <del>-222</del> -192           | 19,587                       |
| HMSO   | 99                   | - 10                           | 90                           |
| COI  | 32                   | - 3                            | 25                           |
| Scottish Office                                  | 3,845                | <del>-222</del> * -256         | 3,770*                       |
| Welsh Office                                     | 1,152                | <del>-110</del> * -107         | 1,201*                       |
| Northern Ireland                                 | 2,008                | <del>-88</del> * -90           | 1,942*                       |
|  |                      | TOTAL                          | -3,436                       |

\*The "cuts" for Scottish Office, Welsh Office and Northern Ireland still have to be finally settled - they will come back to Cabinet on Thursday.

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From Paul

9 August 1979

Public Expenditure Figures

The Prime Minister has seen and noted the Chancellor of the Exchequer's minute to her of 6 August setting out the total reductions in the public expenditure programmes for 1980-81.

I am copying this letter to Martin Vile (Cabinet Office).

NJS

SP.

Tony Battishill, Esq.,  
HM Treasury.

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