



PRIME MINISTER

## END-YEAR FLEXIBILITY ON CASH LIMITS

*Flas A*

John Biffen sent you and the other Members of the Cabinet a minute on 8 July 1980 outlining two schemes for limited end-year flexibility. The scheme for nationalised industries was subsequently approved and announced to the House by the Chancellor on 4 August.

2. The other scheme was for limited flexibility in respect of certain capital and Defence procurement programmes. It would have provided for a carry-forward, subject to certain limits, of underspending on the cash limit from one year to the next.

3. There is much to be said in favour of this scheme. It would help with the management of the programmes concerned. But it would involve some increase in public expenditure. In particular, if we were to decide now to introduce it so as to allow a carry-forward from 1981-82 to 1982-83, it would be necessary to add some £250 million to the size of the Reserve for 1982-83, and so to the planning total for the year.

4. The draft White Paper which I circulated under cover of a separate minute yesterday shows that the total for 1982-83 is already uncomfortably high: it is little different from the levels achieved in 1978-79 and 1979-80. Regretfully, therefore, I have concluded that we cannot afford to make an addition to this amount in order to introduce a flexibility scheme. I therefore propose that it should remain in abeyance.

Eca 181 1413 3 PP's 1

Ami Muth

Agree?

I would seem we  
have no alternatives -  
not. P. 192

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4. I am sending copies of this minute to the other Members of the Cabinet, and Sir Robert Armstrong.

L.B.

LEON BRITTAN  
11 February 1981

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