

P.M.
To see
Duty Clerk

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P.0428

PRIME MINISTER

PUBLIC EXPENDITURE WHITE PAPER

The Chief Secretary circulated the draft of the Public Expenditure White Paper to Cabinet colleagues on 10 February and asked for comments by last Tuesday, 17 February. The hope and intention was to clear the text without discussion in Cabinet. Since then a number of points has been satisfactorily dealt with and we have not heard that any Minister wishes to bring disputed points to Cabinet. But not all issues have been settled and the Treasury regard this weekend as the last time at which changes can be made. It is therefore possible that one or other of your colleagues may seek to raise particular points at tomorrow's meeting. You would obviously wish to discourage any such attempt, if made, especially where technical or Departmental points are concerned. But two general questions are still at issue and could be dealt with by the Cabinet if necessary.

2. The first arises in paragraph 7 of part 1 of the White Paper where there is a sentence - "In future the Government intend the cash aspects of medium-term expenditure planning to predominate". The Secretary of State for Education and Science has argued that this formulation is too sweeping and the Chief Secretary is prepared to accept, in its stead;

"In future the Government intend to give more weight to prospective cash costs in expenditure planning, particularly for the focal year of the survey, that is the year immediately ahead."

3. The Chief Secretary argues, with reason, that this new formulation is not so precise as to prejudice Cabinet's discussion of cash planning next Tuesday.

4. The second arises in paragraph 2 of part 1 of the White Paper where it is said - "The Government regard this development [ie expenditure higher than expected] as one which requires the most serious attention during the 1981 annual survey when the plans for 1982/83 onwards will be reviewed." Some

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colleagues see this as too clear an indication of the Government's intention to undertake a new round of cuts. The Chief Secretary is minded to stand by the words on the grounds that, at the very least, further savings in 1982/83 will have to be sought to replace those lost through the decision on ESSP. The disputed sentence therefore represents a decision already taken.

CONCLUSIONS

5. If these matters surface at all, and given that there will be no further opportunity for collective discussion, you will want to record specific conclusions on any general points made and refer technical and Departmental points for urgent settlement between the Departmental Minister concerned and the Chief Secretary.



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Cabinet Office
18 February 1981

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