



From the Minister

MINISTRY OF AGRICULTURE, FISHERIES AND FOOD
WHITEHALL PLACE, LONDON SW1A 2HH

CONFIDENTIAL

The Rt Hon Margaret Thatcher MP
10 Downing Street
London SW1A

23 February 1981

Dear Prime Minister,

1981 PUBLIC EXPENDITURE SURVEY

My unavoidable attendance at a meeting of the Council of Agricultural Ministers in Brussels will mean that I shall not be present when the Cabinet considers Geoffrey Howe's memorandum on the 1981 Public Expenditure Survey. I would therefore like to let my colleagues have certain comments on the changes proposed.

I fully recognise the force of the considerations behind the aim of enabling the Cabinet to see more clearly the prospective cash costs of expenditure programmes when firm decisions are reached on these. The particular methods for achieving this put forward by Geoffrey Howe would, however, go beyond this. They would in addition carry through into 1982-83 a volume squeeze inherent in the cash limits for 1981-82; and the inflation assumption made for further adjusting to estimated 1982-83 prices could well add a further volume squeeze.

The total impact of these squeezes on departmental programmes could well be substantial. While I fully accept that it is open to the Cabinet to decide on such volume cuts I suggest that this should be a conscious decision, taken in the full knowledge of the implications, and should not flow automatically from inflation assumptions introduced at the outset of the annual Survey.

These difficulties would be avoided if the 1981 Survey were to be carried out initially on the usual price basis, ie actual prices in Autumn 1980, and early in the Autumn of 1981 the resulting volume programmes were then revalued to 1982-83 prices using inflation assumptions agreed at that stage by the Cabinet.

This approach would avoid disrupting from the outset well established Survey procedures. A judgement on inflation assumptions would be made much nearer to the period they concerned. Volume cuts flowing automatically from the Survey procedure would be avoided, without in any way pre-empting a conscious Cabinet decision to make such cuts. More generally the Cabinet would still have before it expenditure proposals expressed in prospective cash terms when reaching firm decisions on programmes for 1982-83.

I suggest that Geoffrey Howe's main aim could be met in this way without the disadvantages carried by his proposals as they stand.

I am copying this letter to other ~~members~~ members of the Cabinet and to Sir Robert Armstrong.

Yours sincerely
Kate Timms

for

PETER WALKER

(Approved by the Minister
and signed in his absence)