

THIS DOCUMENT IS THE PROPERTY OF HER BRITANNIC MAJESTY'S GOVERNMENT

C(84) 29

COPY NO

32

3 October 1984

CABINET

PUBLIC EXPENDITURE SURVEY 1984

Memorandum by the Chief Secretary, Treasury

The Cabinet agreed on 5 July to hold the public expenditure planning totals to aggregate figures of £131.7 billion, £136.3 billion and £140.4 billion respectively for the three years 1985-86 to 1987-88. I was invited to report again on the Public Expenditure Survey when I had completed discussions with the Ministers responsible on individual expenditure programmes and manpower allocations.

2. I have now had bilateral meetings with colleagues on all the major programmes. I regret to have to report that we have not made sufficient progress in these discussions. The position is summarised in Annex A.

DEPARTMENTAL EXPENDITURE

3. For departmental expenditure final agreements have been reached on several programmes. In the case of some other programmes, the gap to be bridged has narrowed appreciably. Meetings have been taking place in the last day or so on which I may be able to report orally. But major unresolved issues remain in several cases, including agriculture, defence, housing, health and social security.

4. In aggregate, colleagues are still seeking net additions to provision for the non-agreed departmental programmes implying overshoots on the agreed planning totals of £1<sup>3</sup>/<sub>4</sub> billion in 1985-86 rising to over £3 billion in 1987-88, as shown at Annex A. Some of these additions may, in the last resort, prove to be irresistible. But expectations must be greatly scaled down if the targets are to be met.

NATIONALISED INDUSTRY EXTERNAL FINANCING LIMITS

5. We are also a long way from reaching agreements which would yield the savings on baseline of £250 million, £500 million and £1,000 million in nationalised industries' external financing limits endorsed by the Ministerial Steering Committee on Economic Strategy Sub-Committee on Economic Affairs (E(A)) on 3 July. Colleagues' present proposals imply substantial net additions to the baseline in all years, rising to £750 million in 1987-88. The Table at Annex A assumes we shall meet the E(A) targets and this will mean difficult decisions in some cases.



ASSESSMENT AND NEXT STEPS

6. There are major gaps still to bridge. I expect to make some further progress in bilateral exchanges. But given the size of the task and the major issues involving political priorities identified in some areas, the Cabinet will need to consider whether the time has come to convene the small Group of Ministers under the chairmanship of the Lord President of the Council (envisaged in our 5 July discussion) to look at those areas of expenditure on which it does not prove possible to reach bilateral agreements during the course of this week. I suggest that the Group should be ready to start work on Monday 15 October, immediately after the Party Conference.

MANPOWER

7. On manpower, where I was charged to press for significant reductions in the present plans for 1 April 1988, we have made some progress. Agreements have been reached for some Departments where programme expenditure remains unresolved. To reach our target it will be necessary to agree further reductions. I hope to make more progress bilaterally, but where that proves impossible I will be obliged to ask the Ministerial Group to consider the position.

P R

Treasury Chambers

3 October 1984



## PES 1984: POSITION REACHED AT 2 OCTOBER 1984

## CHANGE FROM BASELINE

Department***	1985-86		1986-87		1987-88	
	Baseline	Dept Bids	Baseline	Dept Bids	Baseline	Dept Bids
Defence	18003	+283.8	18613	+140.7	18617	+1003.2
FOO-ODA	1264	+10.9	1299	+78.0	1320	+157.3
FOO-Other	602	+46.3	602	+65.5	618	+71.2
FOO*	550	+205.0*	600	+40.0*	615	+215.0*
TRAP (inc AFF prefunded)*	1304	-87.5*	1311	-74.8*	1343	-81.0*
AFF (domestic)	776	-1.1	786	-12.8	805	-15.0
Forestry*	56	-3.5*	57	-4.1*	59	-4.2*
Regional Policy (GB)	491	-5.0	478	+64.0	489	-48.0
MTI (Other)	782	+112.0	752	+105.0	773	+11.0
FOOD	30	+209.9	-159	+299.7	-163	+168.8
Energy	321	-7.1	324	-7.6	332	-16.4
Employment	3158	-32.0	3184	-90.0	3264	-145.0
Transport	2176	-102.0	2258	-80.0	2311	-85.0
Housing	2507	+53.0	2576	+637.4	2641	+663.5
PSA	-109	+45.8	-117	-2.9	-120	-12.9
DOE Other	931	+44.1	954	+96.3	976	+85.1
Ordinance Survey*	18	-0.2*	18	+0.7*	19	+2.5*
Home Office	1023	-9.1	1070	-3.5	1096	+13.2
MOD	547	+10.0	581	-5.0	595	0.0
DOES*	3353	-12.2*	3432	-14.2*	3518	-13.2*
VAL	287	+8.4	330	+10.7	338	+18.1
Health and PSS	13954	+289.0	14657	+404.0	15024	+741.0
Social Security	39407	+634.0	41521	+646.0	42559	+1737.0
Superannuation*	1130	-58.5*	1266	-55.3*	1256	+37.7*
Scotland* (excl RP) φ	3904	+31.1*	4067	+10.7*	4170	+21.0*
Sales (excl RP) φ	1521	+0.7	1589	-1.8	1629	+20.4
Ireland* φ	4213	+26.6*	4390	+28.5*	4500	+61.1*
Chancellor's Depts	1802	-22.1	1852	-6.6	1898	-44.7
Other Depts	319	+21.1	333	+19.0	380	+32.9
LA Current*	24754	+944.0*	25182	+1048.0*	25577	+948.0*
NI EFLs	1063	-250.0*	10	-500.0*	10	-1000.0*
EMPs*	269	+122.0*	288	+23.0*	295	+27.0*
Reserve*	3750	-750.0*	4750	-750.0*	4868	+131.2*
Asset Sales	-2000		-2000		-2050	+50.0*
% Uplift					1379	-1379.0*
Agreed planning totals**	131700		136300		140400	
Implied overshoot		+1757.4		+2108.6		+3371.8

\* agreed programmes

\*\* excludes double counting

\*\*\* excludes LA relevant current and NI EFLs

φ excludes formula consequentials