



FROM: CHIEF SECRETARY
DATE: 7 December 1984

PRIME MINISTER

1985 PUBLIC EXPENDITURE WHITE PAPER

I enclose with this minute, for you and Cabinet colleagues, a draft of the 1985 Public Expenditure White Paper.

2 I am circulating the draft earlier than in recent years. This is because I would like to publish the White Paper during the week beginning Monday, 21 January, three weeks earlier than we achieved for the 1984 document. This will avoid an awkward White Paper debate immediately before the Budget. It will also meet pressure from the Treasury and Civil Service Committee for publication by the beginning of February.

Part 1

3 This is the summary presentation, to be published as a separate volume. I have concentrated this year on redesigning Part 1 to improve the presentation of our policy on public expenditure. This means developing the themes of consistency and stability and explaining the importance of controlling public expenditure for success in reducing taxation and inflation. I have tried to set the detailed figures firmly into this context and to make the main points clearer by incorporating more charts and by rounding the figures (in Part 1 only,) to £0.1 billion. The commentary I hope provides a clear statement of our expenditure objectives, explains what public money is being spent on and how that has changed, reflecting our priorities, over recent years.

Parts 2-6

4 In order to keep Part 1 as short and to the point as possible, some of the detailed figures included in last year's Part 1 have been put into a separate expanded section providing additional analyses. This will form the first section (Part 2) of the second volume. New tables this year provide information about public corporations other than nationalised industries and reconcile the public expenditure planning total with general government expenditure in the national accounts.

*I have
detailed
table.*

5 Part 3 includes separate chapters on each of the main spending programmes, Parts 4 and 5 summarise local authority and nationalised industry developments and Part 6 provides definitions. As last year the main programme tables are not included with the texts attached since they are currently being processed and checked with departments. They are summarised in the Part 1 tables.

6 There has been a significant improvement in the quality of the information in Part 3 chapters relating policy objectives to outputs. Considerable further progress remains to be made, but the 1985 White Paper will represent a step forward. The details of the Part 3 chapters are still being discussed between Departments and the Treasury and the precise wording is subject to minor changes.

Printing

7 This year the second volume of the White Paper covering Parts 2 to 6 will be printed in the same style as Part 1 with colouring to highlight the main tables and space in the left hand margin for clear sideheadings. This should help readers find their way around what is now a rather weighty document.

Manpower

8 There are, however, two major outstanding issues. The aggregate figures for Civil Service manpower for the years to 1988 have still to be finally settled. I have only just received the Ministry of Defence manpower figures from Michael Heseltine. He has offered a reduction on 1 April 1988 of only 1000 (0.6 per cent). This is most disappointing. I am convinced that there is more scope than this for manpower savings in the MOD. This small reduction will, I believe, be unacceptable to colleagues in the context of the further substantial reduction in civil service manpower which Cabinet sought.

Capital spending

9 The second issue is that last year the White Paper gave prominence to a new table which provided a broader measure of public sector capital spending (Table 1.13). In view of the political importance of displaying our plans for capital spending I would like these tables to cover the whole of the Survey period (last year it was restricted to one year ahead). However I understand Defence officials would prefer not to see estimates of defence capital spending (under the NATO definition) published for 1986-87 and 1987-88. In view of the political importance of the debate on capital spending I hope that Michael Heseltine will be prepared to provide those figures so that we can publish, as we did last year, 3 year plans for capital spending.

Next Steps

10 If we are to meet the planned timetable, bearing in mind printing deadlines and the Christmas break, I must ask for any comments to reach me by Friday 14 December.

11 I am copying this letter with attachments, to other members of the Cabinet and Sir Robert Armstrong.


for PETER REES

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MAIN POINTS FROM THIS WHITE PAPER

1. The Government's plans for public spending are an integral part of its Medium Term Financial Strategy.
2. Planned spending for 1985-86 is £132.1 billion, the same as in the last White Paper (Cmnd 9143).
3. Public spending between 1983-84 and 1987-88 will be held constant in real terms, and amount to a falling proportion of the nation's income. *with a blip in 1984-85*
4. The main increases in planned spending are in the social security, health, defence and law and order programmes.
5. Action has been taken to tighten control over spending, particularly by local authorities.
6. [Further reductions are planned in public sector manpower numbers.]