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Conclusions

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CABINET

CONCLUSIONS of a Meeting of the Cabinet
held at 10 Downing Street on

TUESDAY 19 MARCH 1985

at 10.30 am

P R E S E N T

The Rt Hon Margaret Thatcher MP
Prime Minister

The Rt Hon Lord Hailsham of St Marylebone
Lord Chancellor

The Rt Hon Leon Brittan QC MP
Secretary of State for the Home Department

The Rt Hon Nigel Lawson MP
Chancellor of the Exchequer

The Rt Hon Sir Keith Joseph MP
Secretary of State for Education and Science

The Rt Hon Peter Walker MP
Secretary of State for Energy

The Rt Hon Michael Heseltine MP
Secretary of State for Defence

The Rt Hon George Younger MP
Secretary of State for Scotland

The Rt Hon Nicholas Edwards MP
Secretary of State for Wales

The Rt Hon Patrick Jenkin MP
Secretary of State for the Environment

The Rt Hon John Biffen MP
Lord Privy Seal

The Rt Hon Norman Fowler MP
Secretary of State for Social Services

The Rt Hon Norman Tebbit MP
Secretary of State for Trade and Industry

The Rt Hon Tom King MP
Secretary of State for Employment

The Rt Hon Michael Jopling MP
Minister of Agriculture, Fisheries and Food

The Rt Hon Peter Rees QC MP
Chief Secretary, Treasury

The Rt Hon Nicholas Ridley MP
Secretary of State for Transport

The Rt Hon Douglas Hurd MP
Secretary of State for Northern Ireland

The Rt Hon Earl of Gowrie
Chancellor of the Duchy of Lancaster

The Rt Hon Lord Young of Graffham
Minister without Portfolio

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THE FOLLOWING WERE ALSO PRESENT

The Rt Hon John Wakeham MP
Parliamentary Secretary, Treasury

Mr John Gummer MP
Paymaster General

SECRETARY

Sir Robert Armstrong

C O N T E N T S

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PUBLIC
EXPENDITURE

1. THE CHANCELLOR OF THE EXCHEQUER said that the outcome of total public expenditure had overrun the estimate by £1,000 million in 1983-84 and by £3,500 million (including £2,500 million on account of the effects of the strike in the coal mining industry) in 1984-85. These overruns were accounted for by excess spending in local authorities' and nationalised industries' programmes and in demand-led programmes: cash-limited programmes had been held under control. It would be highly desirable not to repeat this outcome for a third year running. Bearing this experience in mind, and having regard to the pressures on public spending, he proposed to increase the provisions for reserves for each of the three forthcoming financial years by £2,000 million, from £3,000 to £5,000 million in 1985-86, from £4,000 to £6,000 million in 1986-87 and from £5,000 to £7,000 million in 1987-88. The planning totals would correspondingly be increased for each year by £2,000 million. This still meant that there should be no increase in public expenditure in real terms between 1985-86 and 1987-88. He made this proposal with some reluctance, because it would imply that the Government was in some degree admitting failure to meet its targets for the control of public expenditure, but he had concluded that it would be preferable that, in presenting his Budget, he should be able to do so on the basis of figures in whose realism he could have reasonable confidence. Markets would not have been impressed by a Budget based on public expenditure figures which appeared to be founded on unrealistic assumptions.

In a brief discussion the following points were made:

- a. The proposed increases in reserves and planning totals would not, and must not be regarded as tending to absolve the Government from the most strenuous efforts to control public expenditure and in particular to keep the total flat in real terms over the forthcoming three years.
- b. The public expenditure round for 1986-87 could be expected to be very difficult. It would be particularly important to find ways of limiting the growth in demand-led programmes, and thus to minimise the extent to which increases in demand-led programmes had to be offset by reductions in cash-limited programmes.
- c. In view of recent overspending by local authorities and the Government's measures to limit capital spending out of accumulated balances, it would be very important, in presenting the increases in reserves and planning totals now proposed, to emphasise particularly to local authorities that the increases were not a licence for them to overspend again.

THE PRIME MINISTER, summing up the discussion, said that, despite the unwelcome implications of what was proposed, the Cabinet endorsed the judgment of the Chancellor of the Exchequer that it was preferable that his Budget should be presented as based on realistic assumptions about public expenditure. But the reserves did not have to be fully taken up, and it would be of the first importance that the proposed increases in provisions for reserves should not lead to any relaxation in the control of public expenditure.

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The Cabinet -

Agreed that the provisions for reserves and the public expenditure planning totals should be increased by £2,000 million for each of the three forthcoming financial years 1985-86, 1986-87 and 1987-88.

THE BUDGET

2. THE CHANCELLOR OF THE EXCHEQUER informed the Cabinet of the proposals in his forthcoming Budget.

In accordance with precedent, details are not recorded in the Cabinet conclusions.

The Cabinet -

Took note, with approval, of the Chancellor of the Exchequer's Budget proposals.

Cabinet Office

19 March 1985

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