



PA (death in the)

Ref. A09812

Mr Butler's minute

PRIME MINISTER

22/10/60

End-year Flexibility for Public Expenditure Programmes

Sir Robert Armstrong

Mes 22/10

8/7/60. ^{pc 19.} In July the Chief Secretary, Treasury circulated a memorandum to the Cabinet (C(82)29) on end-year flexibility for departmental public expenditure programmes. You decided (Mr Scholar's letter of ²⁰23rd July) that this would best be discussed in October: this was, of course, when the Chief Secretary's report on his bi-lateral discussions with spending Ministers was expected to be available.

2. The circulation of the memorandum prompted some Ministers with sponsoring responsibilities to suggest that there should be analogous arrangements for the nationalised industries. Again, it was agreed between them and Treasury Ministers that the matter should be discussed in the autumn.

3. We understand that until quite recently Treasury Ministers did not wish the subject of end-year flexibility to be added to the Cabinet agenda for 28th October, when, on present plans, public expenditure is to be discussed. However, they now take a different view; and I gather that the Chief Secretary intends shortly to send you a minute, copied to Cabinet colleagues, referring back to C(82)29 and reaffirming his view that a scheme such as it discusses cannot be afforded this year. He also considers that there is no need for additional measures on end-year flexibility for nationalised industries since existing arrangements make adequate provision. He would wish these views to be endorsed by the Cabinet at the same meeting as that of which the public expenditure decisions are taken.

4. End-year flexibility is a matter on which the views of Ministers are likely to be divided. The Secretary of State for Defence is among those who have pressed for it as a means of solving the problems of overspending. This year there would



be considerable advantage in having a degree of end-year flexibility available to help deal with the probable underspend; it is a little surprising that the Treasury do not take this point. As the Chief Secretary's proposal is likely to be contentious, to include it in the agenda for the public expenditure Cabinet would complicate what looks as if it could be a relatively smooth discussion of the public expenditure plans. On the other hand, both the past correspondence and logic point to dealing with it at the same time as public expenditure generally.

5. In practice, once the Cabinet has taken the current round of public expenditure decisions and they have been announced, the possibility of end-year flexibility as between 1982-83 and 1983-84 will be ruled out. If therefore the matter has not been dealt with along with the public expenditure decisions, as promised in the summer, the Ministers who favour end-year flexibility (notably the Secretary of State for Defence) may feel that they have been deceived. That consideration argues in favour of trying to get end-year flexibility out of the way at the same time as the public expenditure decisions, as the Chief Secretary now wishes.

BEA

ROBERT ARMSTRONG

22nd October 1982