



Prime Minister (4)

PRIVY COUNCIL OFFICE
WHITEHALL, LONDON SW1A 2AT

Good advice

AT
10/11

10 November 1983

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Peter

Now that the Cabinet has completed its deliberations about the Public Expenditure Survey 1983, I should like to draw your attention to a point which was of considerable concern to my non-Treasury colleagues on the Ministerial Group on Public Expenditure (MISC 99).

The note by Treasury officials circulated under cover of MISC 99(83)8 explained that, before this year's Survey began, there had already been agreed increases over the totals set out in the last Public Expenditure White Paper (Cmd 8789) amounting to £778 million in 1984-85 and £1,272 million in 1985-86. Part of the increases in both years arose as a result of revised economic assumptions but the bulk of the increases resulted from policy changes agreed at the time of the 1983 Budget (notably the increase in child benefit, restoration of the 5 per cent abatement of unemployment benefit, and the changeover to the historic method of uprating instead of "clawback").

Since the Cabinet agreed in July that we should keep within the published planning totals, and maintain adequate planning reserves, it was inevitable that savings would have to be found from Departmental programmes agreed at the time of the last Survey to offset these increases agreed at Budget time, as well as to offset any additional bids which had to be accepted.

It occurred to us to wonder how far colleagues, when considering the proposed expenditure increases at Budget time, including the increases in child benefit, fully took on board that, unless the published planning totals were to be breached, substantial offsetting savings would have to be found from Departmental programmes. The inevitable moral must surely

The Rt Hon Peter Rees QC MP,
Chief Secretary

SECRET

be that substantial increases in agreed expenditure between Surveys are highly undesirable and that, if and when they are proposed, we must be sure that colleagues, in agreeing to them, are fully aware of the likely consequences for Departmental programmes generally.

I am sending copies of this letter to the Prime Minister, the Chancellor of the Exchequer, to other members of MISC 99 and to Sir Robert Armstrong.

Yours etc

W. L. G.

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10 NOV 1983



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Prime Minister ④

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Agreement that increases in programmes between surveys are undesirable but Treasury surely right to say cannot be

Treasury Chambers, Parliament Street, SW1P 3AG

avoided altogether. Where happens no colleagues should be fully informed re colleagues whose programmes are not rising since it is they who have to find the offsetting savings.

Rt Hon Viscount Whitelaw CH MC MP
Lord President of the Council
Privy Council Office
Whitehall
LONDON
SW1A 2AT

22 November 1983

AT 23/11

Need not

Thank you for your letter of 10 November about the handling of increases in public expenditure between expenditure Surveys.

Nigel and I certainly agree with the general principle set out in your final paragraph. It is clearly desirable that as a general rule major decisions on expenditure should be taken in the expenditure Surveys. To do so makes for a better management of resources and for a clearer view of priorities overall.

That said, there may, be exceptional circumstances, I hope you will accept, when decisions have to be taken outside this framework. The economic background may change; urgent action may need to be taken to correct a deviation from planned spending; there can be compelling political pressures. Moreover, some decisions on expenditure (Child Benefit is an example) may need to be considered in relation to decisions on taxation taken at the time of the Budget. In these exceptional cases, where increases are agreed, we shall certainly aim to ensure that colleagues are fully aware of any possible consequences for Departmental programmes generally.

I am sending copies of this letter to the recipients of yours.

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