

Ref. A084/2371

PRIME MINISTER

Public Expenditure Survey 1984: Timetable

I should draw to your attention some potential difficulties over the timetable for the remaining stages of this year's Public Expenditure Survey.

BACKGROUND

2. Treasury officials have told us informally that they are working to a provisional timetable, the main features of which are set out below. The timetable assumes that, as you indicated was probable to the Cabinet on 5 July (CC(84) 25th Conclusions, Minute 5), there will be a small Ministerial "Star Chamber" Group, like MISC 99 last year, to consider and make recommendations to the Cabinet on expenditure programmes which cannot be agreed bilaterally between the relevant spending Ministers and the Chief Secretary, Treasury.

September/early October: bilaterals between Chief Secretary and spending Ministers.

Friday 12 October: paper by the Chief Secretary, following the bilaterals, circulated to the Cabinet and the small Ministerial Group.

Monday 15 October: Ministerial Group begins work.

Thursday 18 October: Cabinet discussion of public expenditure.

Friday 2 November: Ministerial Group finishes work.

Monday 5 November: Chief Secretary circulates further paper to the Cabinet.

Thursday 8 November: Cabinet concludes 1984 Public Expenditure Survey.

Tuesday 13 November: Autumn Statement published.

I understand that, for reasons connected with the BT flotation, the Chancellor of the Exchequer is anxious to publish the Autumn Statement not later than 13 November.

THE PROBLEM

3. I have serious doubts about the realism of the Treasury timetable, for the following reasons:

a. It is difficult to see how the Ministerial Group could begin work on Monday 15 October if the Chief Secretary's paper is not considered until Friday 12 October and, more importantly, if there is to be a Cabinet discussion of public expenditure on Thursday 18 October. Spending Ministers will reserve their positions until then, and the Ministerial Group will make no significant progress during its first week of operation. This would be particularly unfortunate since the week of 15 October is the last week before the House returns and Parliamentary commitments begin to restrict the time available for meetings of the Group.

b. Even if the Group is able to begin work on 15 October it is doubtful whether it will have enough time to resolve the issues on the outstanding programmes and complete its work by Friday 2 November. Experience last year and in earlier years has shown that several meetings are often necessary to settle a single programme. We understand that both the number of programmes on which there is no agreement and the issues at stake are likely to be greater than last year. Even if the Group is able to finish its meetings by Friday 2 November, there will be insufficient time for you to consider its report and have informal meetings on one or two politically difficult issues before the paper is circulated the following Monday 5 November (or possibly Tuesday 6 November) for discussion on Thursday of that week.

POSSIBLE ACTION

4. There are two ways in which the timetable might be changed while maintaining the objective of publishing the Autumn Statement on 13 November.



i. It would be possible to gain two days by having the public expenditure discussion at a special Cabinet on Tuesday 16 October. But that really requires the Chief Secretary's paper to be circulated before Friday 12 October - that is during the Party Conference - and it still leaves the timetable very tight indeed.

ii. It would be possible to dispense with any further discussion of the Survey until the final Cabinet on 8 November. After all, the Cabinet agreed the objectives of the Survey on 5 July, and it is not easy to see how their conclusions could be strengthened by another general discussion. On this approach, the Chief Secretary could give an oral report on progress in his bilateral discussions at the Cabinet meeting on 4 October (which is anyway due to take a paper on public expenditure and pay); and you could announce the establishment of the small Ministerial Group, remind your colleagues of the Cabinet's previous decision on the objectives of the Survey, and ask them to give the Group their fullest co-operation. It would not be possible for the Chancellor of the Exchequer to give on 4 October an account of the macro-economic situation with the benefit of preliminary indications of the likely results of the Autumn economic forecast, as he probably could on 18 October. But this is not, I think, a serious drawback: the Chancellor could circulate a paper on the macro-economic situation for discussion on 8 November.

5. There is also the more fundamental question whether it is wise to aim at publishing the Autumn Statement as early as 13 November. Even if one or other of the possibilities mentioned in the preceding paragraphs is acceptable, the timetable remains very tight indeed. In particular, it cannot be taken for granted that the Cabinet will reach final conclusions in one meeting on 8 November. If Ministers set a timetable which they fail to meet, that fact is, I fear, likely to become public knowledge; and it could well have adverse effects on confidence generally and perhaps on the success of the BT flotation itself.

6. The only way significantly to extend the time available to complete the discussion of public expenditure is to defer the publication of the statement until well after the flotation of BT: say, until the first or second week of December (there are precedents for publication in December). If it was decided to do that, it would be as well for the fact to be announced well in advance, so as to minimise the risk of creating in the financial markets an impression that the delay is unplanned, and reflects uncertainty or disarray in the Government as to how or even whether to keep public expenditure in the forecast period within the declared public expenditure totals.

7. No doubt you will wish to discuss these matters with the Chancellor of the Exchequer, when he returns from abroad, and the Chief Secretary, Treasury before reaching final decisions.

RA

ROBERT ARMSTRONG

24 September 1984