

SECRET



Prime Minister (2)

Duty Clerk
PP AT 17/2

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File

Treasury Chambers, Parliament Street, SW1P 3AG

17 February, 1985

Andrew Turnbull, Esq.
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London, SW1

Dear Andrew

PUBLIC EXPENDITURE: TREASURY AND CIVIL SERVICE SELECT
COMMITTEE (TCSC) HEARING

The Chief Secretary has been asked to appear before the TCSC at 5.00 pm on Monday, 18 February to give evidence on the public expenditure White Paper. Following the discussion in Cabinet last Thursday, he has given particularly careful thought to what he should say if the Committee press him, as he expects they will, on the realism of the planning totals published in the White Paper. He proposes to keep closely to the substance of the attached notes both during and after the Committee hearing.

Duty Clerk PP.

R. J. BROADBENT
Private Secretary

SECRET



Q.1 Is the Reserve/planning total realistic?

A.1 As the Committee knows (footnote on p.10), the White Paper figures were compiled in December. Since then life has moved on: most obviously in relation to the coal strike where the White Paper assumed an end-December finish. The costs in 1984-85 will be higher. There may be implications for future years too.

The 1985 MTFs - to be published on Budget Day - will set out the latest estimates of receipts, expenditure and borrowing. These will of course take account of latest developments, including the latest prospects for the exchange rate, interest rates and so on. The run-up to the Budget is the right time to consider prospects for revenue, expenditure and borrowing. As part of that process, we are currently reviewing the White Paper expenditure figures (see para 8 of Vol. 1).

Q.2 Will the Reserve and the planning total be increased in the Budget?

A.2 It is too soon to say.

Q.2(a) In which direction at present do the factors you set point - upwards or downwards?

A.2(a) Well of course those pressures point upwards.

Q.2(b) Are there any factors pointing the other way?

A.2(b) As Chief Secretary, I have rarely found pressures the other way.



Q.3 Are you saying that the White Paper has been overtaken by events?

A.3 To some extent it has, yes. Most obviously because of the coal strike. But we are reassessing the figures. It is too soon to give new ones.

Q.4 What has happened to your cash-planning policy? Are you saying that these cash plans may need to be altered in the light of developments in the economy?

A.4. We are certainly holding to cash planning. But we have always said that our cash plans are not immutable, could be revised - upwards or downwards - in certain circumstances.

Q.5 In what circumstances? If inflation is higher than expected when the plans were set?

A.5 I do not think it would be fruitful to try to give a definition for all time of when we would think it right to alter expenditure plans. We have to make an assessment each year, as we review the MTFS, of the particular circumstances of the time. Our reassessment applies to the revenue and spending prospects alike.

Q.6 Does this mean you are re-opening Defence/Social Security/any other particular programme?

A.6 Not generally. But for example, we shall have to review EFLs after the coal strike.