



Treasury Chambers, Parliament Street, SW1P 3AG
01-270 3000

24 October 88

Paul Gray Esq
10 Downing Street
LONDON
SW1

Dear Paul

AUTUMN STATEMENT

The Chief Secretary has now been able to resolve most of the major issues on public expenditure programmes, though there remains a good deal of work to finalise the detailed figuring. The Chancellor feels it is desirable to proceed with the announcement of the outcome of the Survey as soon as possible after the decisions have been reached. He therefore proposes that the outcome of the Survey should be considered by Cabinet next week, which I understand has been brought forward to Tuesday 1 November in view of the Prime Minister's departure for Poland the following day.

In most previous years it has been the practice for the Autumn Statement to be delivered to the House on the Tuesday following the Cabinet meeting, allowing the weekend for printing of the Autumn Statement document. With the advancement of the Cabinet meeting the gap, which is always uncomfortably long, would be even longer. The Chancellor therefore proposes, assuming all the necessary decisions are taken at Cabinet, to adopt the practice of 1986 when, as Parliament was not sitting at the start of the following week, he made his Oral Statement on the afternoon of the Cabinet. The printed Autumn Statement would be published on Tuesday 8 November.

The Chancellor recognises that this timetable will require a great deal of effort in departments to get all the supporting material prepared but feels that an early announcement is very much better than waiting until the next Cabinet meeting on 10 November.

Note
Spoke P.M. who agreed
to plan for 1 Nov.
RIG
24/10



The Chancellor proposes to accompany his Oral Statement with Press Notices containing the Industry Act Forecast and tables summarising the expenditure plans; these would be made available in the Vote Office. He hopes that departments will be ready as usual to issue press Notices on the same day, providing a positive presentation of the main features of their programmes. These should emphasise the outputs to be achieved as well as the money to be spent.

To ensure that the release of departments' Press Notices is properly co-ordinated with the announcements from the Treasury, the Chancellor would be grateful if departments could follow the arrangements set out in the attached Annex.

Although these plans are being made to allow for the Oral Statement to be made on 1 November, this cannot of course be taken for granted. It will depend on the settlement of any issues still outstanding and the Cabinet discussion itself. For the time being, therefore, no public statement of the likely date of the Statement should be made. I should be grateful if you could ensure that knowledge of the arrangements is confined to those who need to know. If departments are asked about the date of the Statement, they should say that the public expenditure round has not yet been concluded and that the Autumn Statement will be made as soon as practicable after final agreement has been reached.

I would be grateful to know as soon as possible that the Prime Minister is content.

I am copying this letter to the Private Secretaries to all Cabinet Ministers, to Michael Saunders (Attorney General's Office), Eleanor Goodison (Office of the Minister for the Arts), Myles Wickstead (Office of the Minister for Overseas Development, Alan Maxwell (Lord Advocate's Office) and to Sir Robin Butler.

*Yours
Alex*

A C S ALLAN
Principal Private Secretary

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ARRANGEMENTS FOR THE PREPARATION AND DISTRIBUTION OF PRESS NOTICES

Departments are asked to:

- i. notify the relevant Treasury Division by the morning of Wednesday 26 October whether they intend to issue a Press Notice on the day of the Autumn Statement;
- ii. provide Wilf White in the Treasury (270 5208) with the name and telephone number of someone in each department who can be contacted about the arrangements for sending copies to the Treasury;
- iii. show the Treasury Division concerned a draft by midday on Thursday 27 October;
- iv. provide the Chancellor's Office with 100 copies of the Press Notice by 4.00 pm on Monday 31 October so that they can circulate them if the Oral Statement is made the following day;
- v. arrange for the contact to inform Wilf White by 2.00 pm at the latest on Tuesday 1 November if there is to be any modification of the Press Notice following the Cabinet discussion.

HM Treasury

24 October 1988

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Handled by Chancellor
to Prime Minister &
dated on 26/10/88.

NATIONAL INSURANCE CONTRIBUTIONS: AUTUMN REVIEW

1. Main announcement for employers and employees: RCC
ref/c
- a. contribution rates unchanged.
 - b. lower earnings limit raised from £41 per week to £43 (in line with single pension, as usual).
 - c. upper earnings limit increases from £305 per week to £325 (maximum possible under legislation).
 - d. limits for reduced rate bands to be increased in line with prices and rounded up to nearest £5.
2. Self employed: Class 2 stamp up 20p to £4.25. Increases for lower and upper profits limits in line with employees, in usual way. Class 4 rate unchanged, at 6.3 per cent.
3. Changes summarised in attached table.
4. Treasury Supplement to be abolished (was 5% of contributions this year, equal to £1½ billion). Supplement not needed in view of healthy state of National Insurance Fund. In view of increasing share of non-contributory benefits in total benefit expenditure, reasonable that tax payers contribution to national insurance benefits should now be abolished.
5. NHS Allocations: Increase by maximum possible under legislation, 0.1 per cent, to 0.9 per cent (employers) and 1.05 per cent (employees). About 15 per cent of NHS expenditure is financed by the allocation. The percentage has grown in recent years but is below the peak of 17 per cent reached in 1962-63.

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6. National Insurance Fund: Surplus this year could be as much as £3 billion, bringing the balance in the fund to over £10 billion, nearly 40 per cent of outgo. The surplus as a percent of outgo was last at this level in 1977-78. This surplus has built up in recent years from a low of 22% as a percent of outgo in 1982-83. (GAD's recommended minimum is 17½ per cent). Abolishing the Supplement and increasing the NHS allocation will reduce the surplus in 1989-90 to around £1½ billion, but balance will still increase. Surplus arises essentially from uprating benefits in line with prices, while contributions rise with earnings; recent increases in employment and the fall in unemployment have also tended to increase the surplus.

CHANGES IN CONTRIBUTION RATES

Class 1

RATE		PRESENT BAND		PROPOSED BAND (rounded to nearest£5)	
employers	employees				
5%	5%	£ 41 (LEL)	£ 69.99	£ 43	£ 74.99
7%	7%	£ 70	£104.99	£ 75	£114.99
9%	9%	£105	£154.99	£115	£164.99
10.45%	9%	£155	£305 (UEL)	£165	£325
10.45%	Nil		above £305		above £325

	PRESENT	PROPOSED
Class 2	£4.05/week	£4.25/week
Small earnings exemption	£2,250	£2,350
Class 3 (Voluntary)	£3.95	£4.15
Class 4		
Lower profits limit	£4,750	£5,050
Upper profits limit	£15,340	£16,900
NHS allocation		
Employees:	0.95%	1.05%
Employers:	0.80%	0.90%