



PRIME MINISTER

CASH LIMITS IN 1979-80

We are due to publish around the end of this month the usual White Paper showing the provisional outturn of expenditure against cash limits in 1979-80. A draft is attached, following the strictly factual format of the corresponding White Paper which we published last year. I send it to you and Cabinet colleagues for formal approval for publication. If anyone wishes to comment, I should be glad to hear by 10 July.

2. The vast majority of cash limits were once again correctly observed in 1979-80. In aggregate there was as usual some underspending. Central Government cash limits were underspent in total by about £325m, equivalent to under 1%. Underspending in previous years was rather larger: 1.5% in 1978-79, 2.6% in 1977-78 and 2.6% in 1976-77.

3. But there was a disturbing increase in the number of cases of overspend. The number of breaches of cash limits was two in 1976-77, two in 1977-78, four in 1978-79. Last year there were no less than twelve. The amounts were in most cases not significant, but the increase in number is worrying and does not accord well with the importance which, as a Government, we attached to cash limits in controlling expenditure.

4. This matter was mentioned at Cabinet today. I take the further opportunity of this minute to remind colleagues in charge of spending departments of our collective commitment to cash limits as an effective control on expenditure. Subject in one or two cases to specific agreements to review, we must adhere strictly to the cash limits which have been set, on which the Budget was based. This will undoubtedly cause difficulties in many areas this year, but the strategic need is imperative.

Prime Minister

The attached draft is straight-forward, though the wording is over-spends which it reveals is distracting. Shall we say you are content with the draft, but distracted by the number of over-spends?

Yes min.

R.

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5. I am sure also that we must continue to operate the policy, which we have been applying so far, that in what we all hope will continue to be the few cases where a cash limit is overspent, there should not only be a thorough investigation to identify and correct any weaknesses in control, but also a corresponding deduction in the following year. Only in this way can we ensure that inadvertent overspending in a particular year does not result in a higher total of spending over a longer period than we collectively planned.

6. The fact of the twelve breaches of cash limits will become public when the Public Accounts Committee take evidence from the Treasury on 16 July about the outturn of cash limits in 1979-80. It is on that occasion rather than on the subsequent publication of this White Paper that there may be press interest. The Treasury intend to discuss with the PAC at that meeting the possibility of the Committee investigating where they think fit any breach of a cash limit, whether or not it formally involves an Excess Vote.

7. I am sending copies of this minute and of the White Paper to other members of the Cabinet, to the Minister of Transport and to Sir Robert Armstrong.

John Biffen

P.P. JOHN BIFFEN
3 July 1980

[Approved by the Chief Secretary
and signed in his absence]



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