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Prime Minister

Ref. A0525

PRIME MINISTER

Do you agree with X/ below?
If you do, a shortish meeting during
the week should be enough. A meeting at the
week-end 10/11 November would in any case
be sufficient: you have Remembrance Day engagements
Public Expenditure both days. *John 30x*

We have taken Public Expenditure to 1983-84 off the agenda for this week's Cabinet.

2. The Treasury are already thinking that publication will have to be postponed until about the middle of January. On this basis final Cabinet approval can readily wait until 8th November.

3. Both on housing and on education, there are signs that the Departmental Ministers concerned and the Treasury may be able to reach bilateral agreement within the next 24 hours or so. In order not to damage the prospects of this, I propose to hold back the promulgation of the decision to set up a small group under your chairmanship until tomorrow. I do not think we will lose anything by doing this. If they can settle those problems bilaterally, that will leave only the agriculture problem to resolve in the small group. If they cannot, then those problems will have to come to the small group as well. We have had draft Cabinet papers on rent options from the Secretary of State for the Environment and the Chief Secretary. I propose to sit on these until we hear the results of the bilaterals. If the bilaterals reach agreement, then the papers should not need to be circulated. If the bilaterals do not reach agreement, then the papers would be circulated, in the first instance to the small group.

4. You said that you would like to consider whether there was anything that could be done, short of dropping the last year from the published White Paper, to modify the basis on which the figures for the last two or three years of the PESC period are presented in the published White Paper. You have in mind that you might have a meeting with the Chancellor of the Exchequer and the Chief Secretary, together with senior Treasury officials, over the weekend, to look further at this.

5. You should know that we have two official studies already in train on various aspects of public expenditure. An interdepartmental group has been set up under Treasury chairmanship to consider ways of improving and modifying the

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PESC process. We have also set up a small group, again under Treasury chairmanship and this time with Cabinet Office participation, to look at the problems of presenting public expenditure to Ministers for decision, and in particular at the problem of the gap between bilaterals and full Cabinet.

6. As regards the presentation of the White Paper on Public Expenditure to 1983-84, I understand that the Treasury are already considering ways of changing the presentation for the later years: the sort of idea they have in mind is more aggregation within the totals, so that for the later years the White Paper will include a rather smaller number of figures, though of course the figures themselves will be that much larger. There might be scope in this process for some degree of rounding, so as to get away from the spurious precision that surrounds the figures for later years on the traditional presentation.

7. So I think that we have a choice between three possible courses:

- (a) To go ahead with the meeting with the Chancellor of the Exchequer and the Chief Secretary and senior Treasury officials this weekend.
- (b) To invite the small group of officials which is already looking at the problems of presenting public expenditure decisions to Ministers to add to its remit possibilities for modifying the basis on which figures for later years are presented in this year's White Paper.
- (c) Asking the Treasury to produce, as quickly as possible, a paper describing its proposals for presenting the figures for later years in the forthcoming White Paper. The Treasury are preoccupied over the next day or two with the publication of the White Paper on Public Expenditure to 1980-81, but they could produce a paper shortly after that is out of the way, and certainly in time for a meeting in the middle of next week or on the weekend of 10th November. That would be time enough for the purposes of publication of the White Paper in January.

8. The advantage of course ^{(b) or course} (c) is that it would give you and the Treasury Ministers something to bite on when you have your meeting. Course (c) would be likely to produce a paper and therefore a meeting earlier than course (b). I recommend therefore that we should ask the Treasury to prepare as soon as possible a note describing their own proposals for modifying the way in which

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x] figures for the later years are presented in the forthcoming White Paper. On the basis of that note we could then consider whether you wanted to have a weekend meeting to go over the ground comprehensively, or whether it would be possible to arrive at conclusions on the basis of a shorter meeting in London during the week.

RA

ROBERT ARMSTRONG

More work (C)
+ shorter meeting
in London

30th October, 1979

SIR ROBERT ARMSTRONG

Public Expenditure

The Prime Minister has seen your minute A0525 of 30 October about public expenditure.

You mentioned this morning that it now looked as though the outstanding issues between Departmental Ministers and the Treasury would be reduced to agriculture and that there was no need to set up a formal group under the Prime Minister's chairmanship to deal with this.

As regards the presentation of the figures in the later years in the White Paper on Public Expenditure to 1983/84, the Prime Minister prefers course (c) of the three options set out in paragraph 7 of your minute, and on the basis of the paper which the Treasury would produce under that course, she would be content to have a meeting in London during the week. I should be grateful if you could now arrange for the Treasury to produce their paper, while we, in the meantime, fix the meeting for the latter half of next week.

CAW

1 November 1979