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PRIME MINISTER

PUBLIC EXPENDITURE WHITE PAPER

*I think we had
agreed not to publish
- time for it was
we really can't
submit this
- James - not*

*Prime Minister - I suggest -
You might read at least
Part 1 of this report.
Should I say you are
content subject to
Whynes' views?*

29/12

I attach a draft of the White Paper in printed proof form, which I am circulating for the Cabinet's approval. The date of publication in relation to the Budget is the subject of separate correspondence.

2. The White Paper gives details for the first time of the cuts we have made in the years after 1980-81, rising to 11½% of the Labour Government's plans for 1982-83 (or nearly £9 billion in 1979 survey prices), and of the further cuts we have made in 1980-81 since the White Paper published in November.

3. This White Paper is an important landmark as a vehicle for publishing these major reductions in public expenditure. But it does not otherwise contain as much new or controversial material as usual: the description of the economic context and strategy, normally in this White Paper, will form part of the Budget and so is not included on this occasion. And the chapters about the changes in each programme have been approved by the Ministers concerned. So I do not think we need an oral discussion of the draft, but I should draw the following aspects to attention.

4. The reductions in programmes in 1980-81 since our November White Paper (Cmnd 7746) total nearly £800 million, as expected. The net reduction in the planning total after shortfall is nearly £450 million, principally because the general allowance for shortfall has been reduced from £1 billion to £¾ billion. The nature and severity of the cuts means that shortfall cannot be

expected to be as high as previously assumed. However, the figures include no estimate of the effect of the cash limits on the volume of expenditure, and I should like to consider whether we should increase the general allowance for shortfall on that account in the light of our discussion of the cash limits in Cabinet this week.

i.e. whether
to take
credit in
the total
figure for
the cash
limit
squeeze.
12
2/12

5. The major uncertainties about the outlook for the economy in 1980-81, as well as our experience with the contingency reserve this year, make it desirable to keep available as large a contingency reserve for next year as possible. So the reserve is retained at the level in the November White Paper, £750 million. Even so, we may yet have to consider in the light of developments whether this is sufficient, and we will have collectively to exercise the greatest restraint in considering any proposals to add to expenditure next year.

6. The cost of uprating child benefit this autumn has been transferred from the contingency reserve to the social security programme. The contingency reserve for the years after 1980-81 has therefore been reduced by a roughly equivalent amount.

7. Like our November White Paper, this White Paper includes no estimate of the saving we expect in the net contribution to the EEC. While negotiations are still proceeding, it would be premature to publish a figure.

8. The figures for later years are presented in more summarised and rounded form than in previous White Papers. Consequently, the analyses which depend on the detail of the plans for each programme do not extend beyond 1980-81.

9. I draw attention also to paragraph 16 in chapter 2.12 which states the conventional working assumptions on unemployment and prices used in calculating some of the figures in the White Paper. (They are likely to differ from the economic material in the other Budget publications, but not in a way that makes them appear pessimistic.) If we did not state them we should certainly

S E C R E T

be asked and have to give them, as we had to give the unemployment assumptions following publication of the November White Paper.

10. I am sending copies of this minute and attachment to other members of the Cabinet, including the Minister of Transport, and Sir Robert Armstrong. I should be grateful to have any comments as soon as possible, and not later than Monday 3 March.

W. J. B.

JOHN BIFFEN
26 February 1980

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