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MISC 11(79) 5th Meeting

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CABINET

MINISTERIAL GROUP ON PUBLIC EXPENDITURE

MINUTES of a Meeting held in Conference
Room A, Cabinet Office on
FRIDAY 20 JULY 1979 at 8.30 am

PRESENT

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
(In the Chair)

The Rt Hon Lord Soames
Lord President of the Council

The Rt Hon Michael Heseltine MP
Secretary of State for
the Environment

The Rt Hon Humphrey Atkins MP
Secretary of State for
Northern Ireland

The Rt Hon John Nott MP
Secretary of State for Trade

The Rt Hon John Biffen MP
Chief Secretary
Treasury

SECRETARIAT

Mr P Mountfield
Mr T J Burr

SUBJECT

PUBLIC EXPENDITURE 1980-81

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PUBLIC EXPENDITURE 1980-81

i. Environment Programmes

The Committee further considered the proposed additions and reductions set out in Annex B to C(79) 26 on expenditure within the responsibility of the Secretary of State for the Environment, together with the exchange of letters dated 19 July between the Private Secretaries to the Chancellor of the Exchequer and to the Secretary of State for the Environment.

THE SECRETARY OF STATE FOR THE ENVIRONMENT said that he had increased his earlier offer of £621 million on the housing programme by £180 million, as set out in his Private Secretary's letter of 19 July. Of the savings in C(79) 26, the Cabinet had not agreed to secure £150 million by increasing rents faster than earnings. For the rest, he accepted the specific proposals in C(79) 26 except on housebuilding, where he offered £440 million against £455 million, private sector improvement grants (£40 million against £60 million), and housing associations/new towns (£75 million against £83 million). He had also reduced his additional bids to a total of £150 million. Including the further 3 per cent reduction of £120 million, therefore, the difference between the proposals in C(79) 26 and his increased offer was £463 million. On his other expenditure, he was prepared to increase his offer of £212 million by a £20 million saving on investment by the Regional Water Authorities.

In discussion, it was argued that the allocation of the relatively small amounts at stake on the specific reductions should be for the Secretary of State to decide. Rather than negotiating specific figures for each item, the Committee should agree global reductions for each of the environment programmes. On housing, the Chief Secretary, Treasury, had sought total reductions of £1,114 million, excluding the £150 million saving on rents. The Secretary of State had offered £801 million. A reduction of £1,000 million should be made. This should exclude the additional saving of £20 million offered on other expenditure, but the total reduction on that expenditure should be limited to £225 million. The £1,000 million included the proposed saving from private financing for the Housing Corporation, but this should be examined further by officials in the light of criticism of this practice by the Public Accounts Committee.

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The Chancellor of the Exchequer, summing up the discussion, said that the Committee were agreed on reductions of £1,000 million on the housing programme, £54 million on the PSA, and £225 million on other Department of the Environment expenditure. He would minute the Prime Minister before the Cabinet meeting on 23 July to inform her of the Committee's conclusion.

The Group -

1. Took note, with approval of the Chancellor of the Exchequer's summing up of their discussion, and invited him to proceed accordingly.

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ii. Northern Ireland

THE SECRETARY OF STATE FOR NORTHERN IRELAND said that he had discussed his programme with the Chief Secretary, but had not been able to reach final agreement. Much of expenditure in Northern Ireland depended on decisions taken and still to be taken in the current review of public expenditure. In many cases, Northern Ireland expenditure was maintained on a parity with the levels in Great Britain. For example, decisions on education and housing would normally be followed automatically. But the balance of the cuts was important. Many of those suggested so far involved transfer payments, and had relatively little effect on unemployment. If Cabinet decided to alter the balance of the package, the impact on unemployment might be significantly greater. For example, the £90 million of reductions which he had offered to the Chief Secretary would raise the unemployment level from 10 per cent to 11.5 per cent in Northern Ireland; the higher figure suggested by the Chief Secretary would probably involve unemployment of 12 per cent.

In discussion, it was accepted that final decisions must wait the Cabinet discussion on public expenditure in Great Britain. It is important to maintain equality between Scotland, Wales and Northern Ireland. Broadly comparable savings might therefore be sought from the Northern Ireland budgets. On the other hand, there were substantial and as yet unquantified additional costs likely to arise during the year, including support for Holland and Wolffe. While there was some provision for these within the present forecast, it might not be sufficient.

THE CHANCELLOR OF THE EXCHEQUER, summing up the discussion, said that the Group recognised the impossibility of reaching final decisions on Northern Ireland expenditure until the Cabinet had decided the totals for Great Britain. He would therefore arrange to discuss the matter again with the Secretary of State immediately after the Cabinet discussion.

The Group -

2. Took note, with approval, of the Chancellor's summing up of their discussion and invited him and the Secretary of State for the Environment to proceed accordingly.

Cabinet Office

20 July 1979

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