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Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

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T.P. Lankester, Esq.,
No.10, Downing Street

Dear Tim,

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As you know, the Chief Secretary answered a Private Notice question today. I attach briefing material based on what he said or on the information provided for him. If any further information comes through tomorrow morning, we will let you have it in time for the Prime Minister's questions.

There is likely to be some news about the reaction to the process of starting TRD procedures in the Inland Revenue. In Customs information needed for collecting next month's duties is not being provided and about 25 computer staff have received warnings. About half of these are now on strike. It remains to be seen how widespread or how long any reaction to all this will be.

If the Civil Service dispute continues, it could add to the money supply figure for banking April, ending on 15 April which will be announced on 6 May. But the money supply figures for banking March, which ended on 18 March, are expected to be satisfactorily low - about $\frac{3}{4}$ per cent. These will be announced on 7 April.

Although we have no firm information on the clearing banks industrial dispute, it seems possible that the result of the CBU ballot which will be known by Wednesday may be acceptance of the employers' 10 per cent offer. If that happened, it would clearly tend to weaken the BIFU position. But of course we cannot count on that yet.

yours

John

A.J. WIGGINS

Line to take on the Financial Effect of the Strike

About three-quarters of the normal tax revenues are currently being received by the Exchequer. There is no risk to overall economic management, as the money owed to the Government will eventually be paid over. At most there will be a short-term increase in the money supply which will subsequently be corrected.

The central government borrowing requirement for 1980-81 may be £ $\frac{1}{2}$ to $\frac{3}{4}$ billion higher than the estimate in the Financial Statement and Budget Report. This is the net effect of £ $\frac{3}{4}$ to 1 billion effect of the strike, offset by various other factors, quite unrelated to the civil service dispute.

The main effect of the dispute at the moment is inconvenience to the public. But there would be serious damage to the prospects for a further reduction in inflation if the Government conceded an excessive pay settlement.

SUPPLEMENTARIES ON THE FINANCIAL EFFECT OF THE DISPUTE

IS THE WHOLE OF THE £ $\frac{1}{2}$ TO £ $\frac{3}{4}$ BILLION DETERIORATION IN THE CGBR DUE TO THE STRIKE?

The amount of revenue likely to be delayed into next financial year as a result of the dispute is more like £ $\frac{2}{4}$ to 1 billion. There have been some other offsetting factors, unrelated to the dispute, but the figures are still very uncertain. [If pressed, it looks as if supply expenditure may be below the estimate in the Financial Statement and Budget Report].

HOW MUCH WILL THE ADDITIONAL BORROWING COST? The interest cost of any additional temporary borrowing is not likely to be significant.

WHY WERE NO FIGURES GIVEN LAST WEEK? The bulk of the PAYE receipts due in March were not payable until Thursday 19th. It was not sensible to give any figures until we knew how much of that money had been received.

WHAT WILL THE EFFECT BE ON THE MONEY SUPPLY; WILL IT JEAPARDISE THE MEDIUM TERM FINANCIAL STRATEGY? At most there will be a short-term increase in the money supply which will subsequently be corrected, and will therefore not jeopardise the Medium Term Financial Strategy.

BACKGROUND NOTE

The Chief Secretary said in the House today that the CGBR for 1980-81 would be between $\frac{1}{2}$ to $\frac{3}{4}$ billion higher than the forecast made at the time of the Budget. The detailed figures underlying that statement are:-

Strike effect:	£ million
Inland Revenue including national insurance	650
Customs and Excise	<u>250-300</u>
	<u>900-950</u>
 Total deterioration in CGBR compared with the FSBR estimate of £12,760 million	 500-750

Inland Revenue and Customs and Excise estimate that about three quarters of the normal tax revenues are currently being received by the Exchequer. In the Financial Statement and Budget Report, total Inland Revenue receipts (including national insurance) were put at £51,370 million for 1980-81, £5,097 million for March. Total Customs and Excise receipts were put at £22,137 million for 1980-81, £1,624 million for March.

The deterioration in the CGBR is less than the total strike effect because of offsetting factors quite unrelated to the strike. Preliminary figures suggest that, among other things, supply expenditure maybe £300 to 400 million below the amount suggested in the Financial Statement and Budget Report. The figures are still, however, very uncertain.