



Andrew

I hope these notes will
serve as briefing on the
TCSC points

- a) the plans are unrealistic
- b) the expenditure is not
under control
- c) this is corrected by
creative accounting.

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Revision of Plans

The cash totals published in this White Paper for each year from 1981-82 to 1984-85 are within the totals published in the 1982 White Paper - the first year of cash planning.

'Overspend' in 1983-84 - £120.3 billion compared to £119.6 billion projected in 1983 Budget - regrettable but relatively small.

The cost terms figures show an increase because we have been able to reduce inflation rather more quickly than we anticipated. Under cash planning we did not attempt to 'clawback' the real increase - any more than we would have conceded more funds if inflation had been slightly higher than anticipated.

Cash limits have greatly strengthened contrd. Only 4 broke π in 1982-83, 2 in 1981-82.

Fiddling of Figures

TCSC recommend adding back asset sales, NIS reductions, sickness benefit (first 8 weeks now paid by employers) etc. They also focus on the total including net debt interest.

Of course, need to take account of composition of totals as well as the overall figure when considering fiscal and monetary policies.

However, no case in logic for these particular adjustments. Asset sales need to be treated like asset acquisitions. The reduction in NIS genuinely reduces public expenditure as it does reduce costs on industry.

When Child Benefit replaced child tax allowances that was properly reflected in an increase in public expenditure.

We prefer to stick to well established definitions but to make clear how the totals are made up.

Realism of provision

1. Nationalised industry figures are realistic given continued economic growth and are based on assumption of price increases at or below the general rate of inflation.
2. Provision for current expenditure by local authorities reflects the targets set for individual authorities. These do imply a squeeze on spending - especially for the most profligate. But the base is too high. If they or any other part of the public sector overspends their

provision the excess will be contained within the planning total.

3. The Reserve is much larger than last year - 1984-85 £2.75 billion, 1985-86 £3.75 billion, and 1986-87 £4.75 billion. We have also introduced changes in its operation to improve control.

- 6 MAR 1984

