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Treasury Chambers, Parliament Street, SW1P 3AG

M Scholar Esq  
10 Downing Street  
London SW1

31 May 1983

*Dear Michael*

PUBLIC EXPENDITURE OUTTURN 1982-83

Since receiving your letter of 21 April we have continued our investigations of this year's outturn, and examination of how to forecast it better in future; and the Chief Secretary and the Secretary of State for Defence have had a helpful discussion.

MOD are fully aware of the importance of the Budget forecasts. They are conducting their own enquiry into this year's experience, and working with the contractors to improve forecasts and agree firm cash profiles. Under the present MOD system of monthly bill-paying there is a real problem in predicting the final outturn until the very end of the year. MOD and Treasury officials are in close touch on possible improvements.

Aside from the special MOD problem, the Treasury will shortly be discussing end-year control and forecasting with Principal Finance Officers of the main departments, in the context of a full review of the present information system. We need to ensure that PFOs themselves take responsibility for producing the best possible forecast of their departments' spending before the crucial pre-Budget deadline. But the implications of going further and making PFOs responsible for delivering their pre-Budget forecasts need thinking about very carefully. It could be tantamount, as you say, to introducing a revised, lower, cash limit very late in the year. This would add to administrative complexity and increase the risk of wasteful spending if, as is likely, PFOs' forecasts tend to err on the side of caution and are thus higher than the outturn that would be achieved in the absence of the new arrangements. With these factors in mind we are aiming to work out new reporting arrangements with departments which should bring a net improvement both to the control and forecasting of expenditure.

As with your letter, I am copying to Richard Mottram (MOD).

*Yours sincerely*

*J.Gieve*

JOHN GIEVE  
Private Secretary

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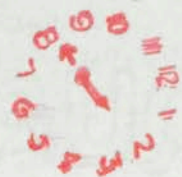
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31st March 1985

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