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REVISE.

C A B I N E T 5 (26).

Meeting of the Cabinet to be held in the Prime Minister's Room at the House of Commons, S.W.1., on Thursday, February 11th, 1926, at 5.30 P.M.

A G E N D U M.

STANDING COMMITTEE ON EXPENDITURE.

(Reference Cabinet 22(25) Conclusion 2(b)).
Report of Committee,
(C.P. 54 (26) - circulated herewith).

Memorandum by the Minister of Labour regarding
Financial assistance for Local Authorities
instituting Relief Works,
(C.P. 29 (26) - already circulated).

Memorandum by the Secretary for Scotland
regarding Local Authorities and Unemployment.
(C.P. 49 (26) - already circulated).

(Sd.) M.P.A. HANKEY,

Secretary, Cabinet.

2 Whitehall Gardens, S.W.(1).

10th February, 1926.

S E C R E T.

COPY NO. 1

C A B I N E T. 5(26).

CONCLUSIONS of a Meeting of the Cabinet held at the House
of Commons, S.W.1., on THURSDAY FEBRUARY 11th,
1926, at 5.30 P.M.

P R E S E N T :-

The Right Hon. Stanley Baldwin, M.P.,
Prime Minister. (In the Chair).

The Right Hon.
Sir Austen Chamberlain, K.G., M.P.,
Secretary of State for
Foreign Affairs.

The Right Hon.
Viscount Cave, G.C.M.G.,
Lord Chancellor.

The Most Hon.
The Marquess of Salisbury,
K.G., G.C.V.O., C.B.,
Lord Privy Seal.

The Right Hon.
W.S. Churchill, C.H., M.P.,
Chancellor of the Exchequer.

The Right Hon.
Sir William Joynson-Hicks,
Bt., M.P., Secretary of
State for Home Affairs.

The Right Hon.
L.S. Amery, M.P., Secretary
of State for Dominion
Affairs and Secretary of
State for the Colonies.

The Right Hon.
Sir Laming Worthington-Evans,
Bt., C.B.E., M.P., Secretary
of State for War.

The Right Hon.
Sir Samuel Hoare, Bt.,
C.M.G., M.P., Secretary of
State for Air.

The Right Hon.
W.C. Bridgeman, M.P.,
First Lord of the Admiralty.

The Right Hon.
Sir Philip Cunliffe-Lister,
K.B.E., M.C., M.P., President
of the Board of Trade.

The Right Hon.
Neville Chamberlain, M.P.,
Minister of Health.

The Right Hon.
W.B. Guinness, D.S.O., M.P.,
Minister of Agriculture
and Fisheries.

The Right Hon.
Lord Mustace Percy, M.P.,
President of the Board
of Education.

The Right Hon.
Sir Arthur Steel-Maitland,
Bt., M.P., Minister of
Labour.

The Right Hon.
Viscount Cecil of Chelwood, K.C.,
Chancellor of the Duchy of
Lancaster.

The Right Hon.
Sir Douglas Hogg, K.C., M.P.,
Attorney-General.

.....

M.P.A. Hankey, G.C.B. Secretary.

REPORT OF
STANDING
COMMITTEE
ON EXPENDI-
TURE.

1. The Cabinet had before them the following documents in regard to Expenditure:-

The Report of the Cabinet Committee
(Paper C.P.-54 (26)):

A Memorandum by the Minister of Labour
regarding Financial Assistance for
Local Authorities instituting
Relief Works (Paper C.P.-29 (26)):

A Memorandum by the Secretary for
Scotland regarding Local
Authorities and Unemployment
(Paper C.P.-49 (26)).

The Prime Minister thanked his colleagues for the co-operation which, often in circumstances of great difficulty, they had been able to give in the essential work of economy.

A general satisfaction was expressed in particular at the great efforts made by the Board of Admiralty, the Army Council and the Air Council in achieving very large economies notwithstanding the adoption during the past year of policies involving expenditure, such as the Cruiser Programme and the continuance of the Home Defence Air Force Scheme.

After discussing each item of the proposals of the Standing Committee on Expenditure, the Cabinet agreed --

- (a) To give their general approval to the Report of the Cabinet Committee and to the following proposals for effecting reductions of expenditure and increases of revenue, in which are incorporated some slight amendments to the Report:-

(Previous
Reference:
Cabinet 22
(25), Con-
clusion 2(b).)

PART I. ACCEPTED PROPOSALS FOR REDUCTIONS.

	1926/27.
<u>Reduction of Expenditure —</u>	£
Ministry of Agriculture ...	683,000
Ministry of Pensions ...	1,000,000
Ministry of Labour ...	5,417,000*
Unemployment Relief —	
St. David's Committee ...	230,000
Women and Juvenile Training ...	60,000
Loans to Local Authorities ...	100,000
Health Insurance —	
Reduction of State Grant ...	2,310,000*
Recovery of Cost of Audit and Valuation ...	190,000.
Public Works and Buildings ...	450,000
Old Age Pensions ...	605,000
Compensation —	
Ireland, Effect of new Agreement ...	300,000
Air Estimates, Reduction to £16 million ...	2,000,000
Railway Agreements Liquidation ...	100,000
Post Office ...	100,000
Forestry Commission ...	100,000
Sugar Beet ...	250,000
Middle East Services ...	740,000
Oversea Settlement ...	310,000
Colonial Services ...	50,000
Treasury Notes ...	100,000
Total of (a) ...	<u>15,095,000</u>

PART II. INCREASES OF REVENUE.

	1926.
	£
Revision of Estimate for Miscellaneous Revenue ...	1,000,000
Navy, Army and Air Force Insurance Fund Surplus ...	1,100,000*
Bankruptcy, &c., Fees Bill ...	350,000*
Road Fund —	
From Balances ...	8,000,000*
Existing Taxation (classified as "luxury") ...	2,000,000*
St. David's Committee grants ...	800,000
Post Office ...	200,000
Total of II ...	<u>13,450,000.</u>
Total of Parts I and II .	28,545,000.

* Require legislation.

(Contd.)

PART III. FURTHER PROPOSALS FOR REDUCTION OF EXPENDITURE.

	1926/27. £.
Education* -- reduction of Provisional Estimate ...	(under investigation by Colwyn Committee.)
National Health Insurance* -- Recovery of Cost of Central Administration in addition to Audit and Valuation ...	(under consideration.)
Navy reduction to £58,100,000 ...	6,100,000
Army reduction to £42,500,000 ...	2,000,000
Dominion Marketing Scheme -- Postponement ...	(under consideration.)
	<hr/>
Total of III ...	8,100,000. /
Grand Totals of I, II and III ...	<u>36,645,000.</u> /

* Require legislation.

/ Plus any reduction on Education, National Health Insurance - Cost of Administration, etc., Empire Marketing.

(b) Ministry of Labour Reduction (£5,417,000):

In view of the fact that the Minister of Labour regards as unduly optimistic the average figure of unemployment (1,050,000) on which the reduction in the Vote of the Ministry of Labour is based -- to approve the reduction in the Government contribution to the Unemployment Fund, on the understanding that the Chancellor of the Exchequer is prepared, in introducing the Economy Bill, to intimate that the forecast as regards Unemployment is necessarily speculative in character; that the effect on the Fund of developments in the Unemployment situation will be kept under careful observation; and that, if the situation develops unfavourably, the question will be re-examined in the light of the existing situation and Parliament will be asked to make provision, by Supplementary Vote or otherwise, in ample time to safeguard the Fund against insolvency:

(c) Health Insurance -- Recovery of Cost of Audit and Valuation (£190,000):

To take note that there is some uncertainty as to how far it will be possible to realise this figure by the means contemplated by the Economy Committee, but that the question is being studied in the hope of achieving economies:

(d) Middle East Services (£740,000):

To take note that the reductions in respect of the Palestine Frontier Forces and the Trans-Jordan Grant-in-Aid (£304,000) were to be made "in the absence of strong objection by Lord Plumer" (C.P.-54 (26), Para.20 (ii) (d)), and that

Lord Plumer has expressed strong objections: and to invite the Secretary of State for the Colonies to put the strongest pressure on the High Commissioner of Palestine to achieve this economy, and, in so doing, to inform Lord Plumer of the strong feeling of the Cabinet that, at a time when Palestine has a surplus in its Budget and Great Britain has a deficit, this mandated territory ought to accept the transfer of financial burdens now proposed, more particularly as, from a political point of view, it is most important to reduce the Middle East Vote:

(e) Travelling Expenses:

To reject the proposal that the Exchequer should in no case pay more than third-class fares for travelling expenses, as the effect of this proposal would be to discriminate against Members of Parliament lacking the means to pay the difference between third and first-class fare, would be criticised as class legislation, and was open to many other objections:

(f) Reduction of Staff:

To authorise the immediate circulation to Departments of a Treasury Circular on the lines of the draft contained in Appendix II to C.P.-54 (26), modified to give effect to the decision in (g) below:

(g) Hours of Attendance in the Civil Service:

(i) That the minimum hours of attendance of new entrants of that portion of the staff of the Civil Service which is at present employed on the basis of a 7-hours day or 42-hours week, should be extended to 8 hours a day with a half-holiday on Saturday if the state of public business permits:

(ii) That the minimum hours of attendance of existing members in the Civil Service should remain as at present:

(h) Education:

To take note that the reductions in the provisional Estimate of the Education Department are under consideration by the Colwyn Committee:

(i) National Health Insurance — Recovery of Cost of Central Administration in addition to Audit and Valuation (£700,000):

To take note that this proposal is found to be impracticable, but that the possibility of some economies under this heading are still under consideration:

(j) Navy:

(i) To take note that, as the result of a discussion by the Committee of Imperial Defence the same morning on the recommendations of the Colwyn Committee on the subject of the Naval Oil Fuel Reserve, the Admiralty Estimate will be reduced to £58,100,000 (as compared with £57,500,000 proposed by the Colwyn Committee) and that the total economies will amount to £6,100,000 instead of £6,700,000 as stated in the Report of the Standing Committee on Expenditure:

(ii) That a passage in regard to the "shadow cut" should be included in the forthcoming Navy Estimates similar to the passage in the statement accompanying last year's Navy Estimates, which was as follows:-

"As in the Estimates for 1924-25, a special overhead deduction has, by decision of H.M. Government, been made on the provision for contract work in Votes 8, 9 and 10, to discount in advance possible delays in the progress of such work. This reduction of the money provision is not intended to affect the normal progress of the services to which it applies, and if the delays do not in fact occur, Parliament will in due course be invited to make good the deficiency to such extent as may be necessary."

(k) Empire Marketing:

That, in view of the paramount importance of fulfilling the pledges given to the Dominions, it is necessary to make provision in the Estimates for some substantial expenditure in connection with the Empire Marketing Scheme, but that it is improbable that the ultimate figure of £1,000,000 could be wisely spent in the first year of the Scheme.

The fixing of the exact figure was left to the Chancellor of the Exchequer in consultation with the Secretary of State for Dominion Affairs.

The Secretary of State for Dominion Affairs was authorised to inform the Dominions of the Government's intentions in this matter.

NECESSITOUS
AREAS.

Previous
Reference:
Cabinet 22
(24), Con-
clusion 4.)

2. The Minister of Health was authorised to inform Sir Harry Goschen, the Chairman of the Necessitous Areas Committee, that the Government's wish was that the Committee should adhere to its Terms of Reference, and, consequently, that if no scheme for the relief of necessitous areas which they could recommend as acceptable was placed before them, they should not endeavour to devise their own scheme.

. . .

2, Whitehall Gardens, S.W.1,

February 11, 1926.