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PART A

Chez  
Lawson

PART A

**CONFIDENTIAL**  
(Circulate under cover and  
notify REGISTRY of movement)

  
PO -CH /NL/0231  
  
PART A

CHANCELLOR'S PAPERS ON  
THE 1988 PUBLIC  
EXPENDITURE WHITE PAPER  
(PEWP)  
PART A

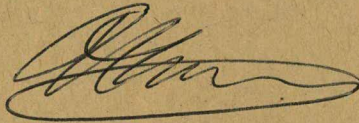
r (PEWP)

PO -CH /NL/0231

PART A

Begin: 26/11/87  
Ends: 1/7/88

DD: 25 years



20/9/95

CONFIDENTIAL



FROM: JILL RUTTER  
DATE: 26 November 1987

PRINCIPAL PRIVATE SECRETARY

*1 stamp ago  
with CSI : overheard  
a draft of debate on 14/11 AS  
past published on 19/11  
(also see with X)*

- cc:
- PS/Paymaster General
- PS/Financial Secretary
- PS/Economic Secretary
- Sir Peter Middleton
- Mr Anson
- Mr Monck
- Mr Kemp
- Mr Turnbull
- Mr Odling-Smee
- Mr Gieve
- Mr Waller
- Mr R I G Allen
- Miss O'Mara
- Mr Dyer
- Miss Evans
- Miss Walker

**PUBLICATION OF PEWP AND TIMING OF THE AUTUMN STATEMENT DEBATE**

At their bilateral on Tuesday the Chancellor asked the Chief Secretary to establish whether there would be difficulties for the publication of PEWP in delaying the Autumn Statement debate until the first week Parliament returns in January.

2 As Mr Turnbull's minute of 25 November (copied to you) shows there is no real problem in delaying publication of the PEWP until the following week.

X

3 On that basis, if the 14<sup>th</sup> is to be the date for the Autumn Statement debate, the Chief Secretary would prefer publication of the PEWP on 19 January 1988. While he notes the point that Mr Turnbull makes about the TCSC wanting longer to consider their report on the White Paper, the Chief Secretary has commented that since we are being helpful in relation to the debate on the Autumn Statement we could press them to a faster timetable for the report on the Public Expenditure White Paper.

*Jill Rutter*  
JILL RUTTER

Private Secretary

*Phone  
not mitted  
M*

*mpw*

FROM: MISS S P B WALKER  
DATE: 9 DECEMBER 1987

1. MR TURNBULL
2. CHIEF SECRETARY

cc **Chancellor**  
FST  
EST  
PMG  
Sir P Middleton  
Mr Anson  
Miss Mueller  
Mr Kemp  
Mr Monck  
HEGs (chapter 1 only)  
Mr Luce  
Mr Gieve  
Mr Hansford  
Mrs R Butler  
Mr G C White  
Mr Call

*Ch/Sorry not to have fitted this  
in a box before now. Comments  
can still be taken on board.*

*und*

*John  
OK*

*mpw 18/12*

#### PUBLIC EXPENDITURE WHITE PAPER

I attach a further draft of Volume I, which we would like to circulate to Cabinet on Friday.

2. We have amended the text of Chapter 1 to reflect most of your comments on the earlier draft. In a few cases, however, we have departed from your suggestions for the following reasons:

Main points paragraph 2. We have redrafted this to make plain that the cash figures are plans not forecasts but the real terms increases are not plans in the same sense but projections (based on the latest projections for the GDP deflator).

Main points, paragraph 5. We have included this to pick up the point that reductions in expenditure on debt interest etc make room for more spending on priority programmes. We have not used the 'unavoidable'/'desirable' contrast from the draft speech because classifying programme expenditure eg on social security or industrial subsidies into either category could provoke unnecessary contention.

Science and Technology. We have included a short paragraph on improvements in the White Paper (Paragraph 5) which refers to S&T and have added a paragraph 89 later on to

make the key points. We would prefer not to include this as a 'main point'; because we do not wish to focus too much attention on the figures which are of rather poor quality.

Paragraph 8. As the table shows the relevant figures are from the 1986 and 1987 White Papers and the 1985 FSBR. Spelling this out invites the question 'why not the 1985 White Paper?' with the implication that we are hiding something. In fact the 1985 White Paper did not mention the ratios at all. We prefer simply to refer to the figures published in 1985, 1986 and 1987.

Privatisation proceeds. We think the explanation of the treatment of privatisation proceeds fits better in paragraph 19 than in paragraph 15.

Social Security, paragraph 66. We have not added the sentence about an improvement in take-up. Figures in the Social Security chapter in Volume II show that take-up has not increased significantly since the early 1980s.

Functional split. We have now expanded this section in the light of the numbers.

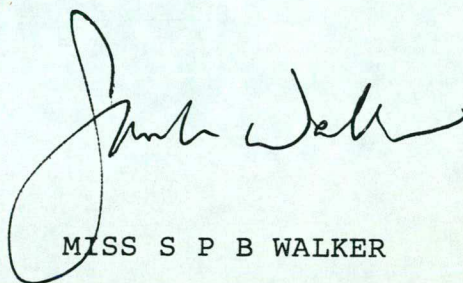
3. We have also made a number of amendments in the opening paragraphs to emphasise the point that the plans and controls are set in cash and this process is the means of achieving the medium-term aim of reducing the ratio of GGE to GDP. This is intended to help answer the questions raised by Mr Terence Higgins at the TCSC about the possibility of the 'ratio' approach undermining cash planning.

4. In other respects the text is not greatly changed from the version you saw last week, but the tables now reflect the updated database and so take account of Survey decisions and a small number of other minor changes since the Autumn Statement. The figures are still being checked and cleared with departments, and so are not yet final. Past and future years are not expected to change in any major respect but problems may arise on the

outturn for 1987-88, on which you will receive a submission next week. The planning totals and GGE figures are consistent with the rounded totals published in the Autumn Statement.

5. It is customary to circulate the draft White Paper to Cabinet at this stage. I understand that your office have agreed with Sir Robert Armstrong's office that it would be sufficient to circulate only the expanded Volume I this year and not the departmental chapters. The attached draft covering letter therefore explains that only Volume I is being circulated, but Volume II chapters are available to Ministers on request. It also asks for agreement to publication on 19 January, the date you and the Chancellor favour.

6. If you are content, we will provide copies of Volume I for circulation to Cabinet later this week.



MISS S P B WALKER

**DRAFT LETTER FOR PS/CHIEF SECRETARY TO SEND TO**

David Norgrove Esq  
10 Downing Street

Copied to: Private Secretaries to members of Cabinet  
and Mr Luce  
Sir Robert Armstrong  
PS/IR, PS/C&E

**1988 PUBLIC EXPENDITURE WHITE PAPER**

The 1988 public expenditure White Paper will give the details of the Government's expenditure plans for the next three years, filling in the background to the totals announced by the Chancellor in his Autumn Statement.

2. I enclose a draft of Volume I. This year the structure of the White Paper has been changed, so that all the summary material appears in Volume I and only the departmental chapters will be in Volume II. We do not propose to circulate Volume II to Cabinet in draft, although copies of any of the chapters can be provided on request. The texts for these chapters have been agreed with the relevant departments and proofs of each department's chapter will be sent to them for checking as soon as they are available.

3. As last year, the draft is being circulated at this stage to allow Ministers more time to comment. However, this does mean that the figures in the tables are not yet final - several queries are being pursued by officials this week. This caveat applies in

particular to the figures for the estimated outt  
for 1987-88. Small changes to the text of Chapter 4  
will also be necessary to take account of privatisation  
proposals. Treasury officials will be in touch with  
officials in the relevant departments about this.

4. The Chief Secretary proposes that the White Paper  
should be published on 19 January, slightly later than  
this year. This avoids a potential clash with the  
debate on the Autumn Statement. I would be grateful  
if you could confirm that this causes no difficulties.  
I will be in touch nearer the time about arrangements  
for publicity etc.

5. In order to meet the printing timetable, it is  
necessary to finalise the White Paper before the  
Christmas break. I would be grateful if comments could  
be sent to this office by Friday 18 December.

6. I am copying this letter to the Private Secretaries  
to other members of Cabinet and Mr Luce, and to  
Sir Robert Armstrong.

[J RUTTER]



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**Chapter 1 Summary**

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**Chapter 2 Additional analyses**

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**Chapter 4 Public corporations**

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**Chapter 5 Historical trends**

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**Chapter 6 Notes and glossary**

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FROM: S P JUDGE  
DATE: 16 December 1987

MR MORTIMER

cc PS/Chancellor (with proof)  
Mr Edwards  
Mr Mercer  
Mr Bonney  
Mr Addison

1988 PEWP: CHAPTER ON NET PAYMENTS TO EUROPEAN COMMUNITY INSTITUTIONS

Thank you very much for your minute of 15 December, and Mr Addison's of 8 December - both of which the Paymaster General has now seen.

He is content with your suggested revision to the last sentence of paragraph 5 of the text, subject to adding "1987" after "December". He has no further comments.

The Paymaster thinks the Chancellor should be aware of this, but would like to assure him that he has been through it thoroughly.

S P JUDGE  
Private Secretary

FROM: J E MORTIMER

DATE: 15 DECEMBER 1987

PS/PAYMASTER GENERAL

: Mr Edwards  
Mr Mercer  
Mr Bonney  
Mr Addison

1988 PEWP: CHAPTER ON NET PAYMENTS TO EUROPEAN COMMUNITY INSTITUTIONS

I attach a copy of the first proof of the PEWP chapter on the European Community.

2. I regret that we were not able to incorporate the Paymaster General's comments set out in your note of 4 December before the text went to the printers. We have, however, marked up the attached proof so that they can be taken on board at the next print.

3. The Paymaster General said he was particularly interested in paragraph 5 of the text. We suggest that the last sentence of the paragraph should be replaced with:

✓  
X  
"The Prime Minister made clear after the discussion of these matters at the European Council in Copenhagen on 4 and 5 December, that decisions on the future level of the Community's own resources will be taken only when improved budget discipline arrangements have been worked out in detail".

4. You will note that, in paragraph 9, we have referred to increases in our net payments in 1987-88, 1988-89 and 1989-90 of £520 million, £350 million and £400 million to bring the PEWP

text into line with the figures quoted in the Autumn Statement. You will recall that the apparent discrepancy with the Autumn Statement was one of the points picked up by the Paymaster in the first draft of this chapter. ~ see PS of Addition of 8/12

5. We would be grateful for any further drafting comments within the next day or two.

*J.E.M.*

J E MORTIMER

### 3. Net payments to European Community institutions

Table 3.1

£ million

	1982-83 outturn	1983-84 outturn	1984-85 outturn	1985-86 outturn	1986-87 outturn	1987-88 estimated outturn	1988-89 plans	1989-90 plans	1990-91 plans
Gross payments	2,820	3,097	3,611	3,745	5,121	4,881	4,645	5,420	5,670
Public sector receipts	-1,308	-1,898	-1,891	-1,936	2,548	-1,975	-2,037	-2,220	-2,340
Negotiated refunds	-774	-239	-589						
VAT abatements				-823	-1,343	-1,302	-1,661	-1,590	-1,860
<b>Net payments to European Community budget</b>	<b>737</b>	<b>959</b>	<b>1,131</b>	<b>986</b>	<b>1,230</b>	<b>1,604</b>	<b>947</b>	<b>1,610</b>	<b>1,470</b>
Contributions to reserves and capital of the European Investment Bank	5	16	21	17	48	10	16	20	20
Grants received from European Coal and Steel Community	-52	-49	-44	-46	-75	-62	-50	-30	-30
Payments to EC budget attributed to the aid programme	-102	-92	-134	-141	-116	-152	-113	-140	-140
<b>Total net payments to European Community institutions (excluding overseas aid)</b>	<b>589</b>	<b>834</b>	<b>974</b>	<b>816</b>	<b>1,067</b>	<b>1,400</b>	<b>800</b>	<b>1,470</b>	<b>1,320</b>

(1) For domestic/public expenditure planning purposes, part of the UK's contribution to the Community budget is attributed to the overseas aid programme (see Table 2.1). The aid programme also includes payments to the European Development Fund not included here.

(2) For 1988-89 onwards, an exchange rate of 1.43 ecu to the £ is assumed.

The United Kingdom's net payments to European Community institutions in Table 3.1 are made up of three components: net payments to the European Community budget (excluding the UK's share of the cost of the Community's overseas aid expenditure, which is included within the aid programme); contributions to the capital of the European Investment Bank (EIB), and receipts from the European Coal and Steel Community (ECSC). The main component is the UK's net payments to the European Community budget.

2. The latest estimate of the UK's net payments to European Community institutions in 1987-88 is £1,400 million. This figure is projected to fall to £800 million in 1988-89 before rising again to £1,470 million in 1989-90 and £1,320 million in 1990-91. The main reason for the relatively low figure in 1988-89 is that we are expecting an exceptionally large abatement of around £1,750 million in 1988-89.

3. Table 3.1 presents the latest estimates of the UK's net payments to the Community budget on a "payments" basis. It shows the net payments actually made during UK financial years, irrespective of the Community budget to which they relate or from which they are financed. Table 3.2, on the other hand, shows net payments on a budget basis. It shows the UK's net contribution in respect of a particular Community budget, regardless of when the payments and receipts actually took place. Thus the abatement arising out of the UK's net payments to and receipts from the Community in 1986 is shown against the net contribution to the 1986 budget, even though provision for it was contained in the 1987 budget and an additional

payment, correcting the 1987 budget figure, is included in the preliminary draft budget for 1988. One line of the table shows the net contribution to the "allocated budget". The allocated budget constitutes around 95 per cent of the total budget and includes nearly all items of expenditure allocated or paid to member states. The main item of expenditure (which is not so allocated) is overseas aid. Unlike Table 3.1, Table 3.2 takes account of receipts paid direct to the UK private sector as well as those paid to the public sector.

Overseas aid is the k excluded. k o

Table 3.2 UK contributions and receipts arising out of successive budgets<sup>(1)</sup>

	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991
	£ million	£ million	£ million	£ million	£ million	(estimated)	(estimated)	(estimated)	(estimated)	(estimated)
<b>Allocated budget<sup>(2)</sup></b>										
Gross contribution	2,448	2,796	3,136	3,645	4,511	5,097	4,562	5,236	5,459	5,745
Gross receipts	1,307	1,746	1,991	4,907	2,511	2,449	2,301	2,396	2,461	2,588
Net contribution	1,141	1,050	1,145	4,738	2,000	2,648	2,261	2,840	2,998	3,157
<b>Refunds and abatements</b>										
Negotiated refunds (net)	589	440								
VAT abatements			591	1,119	1,256	1,598	1,470	1,836	1,932	2,045
<b>Net contribution to allocated budget after refunds and abatements</b>	552	610	554	619	744	4,061	791	1,004	1,066	1,112
<b>Net contribution to unallocated budget<sup>(3)</sup></b>	130	156	155	164	195	186	1,493	1,62	244	177

<sup>(1)</sup> This table is intended to indicate the net financial obligations on the UK which result from successive Community budgets. It differs from the other tables in this chapter by bringing together as far as possible all transactions in respect of successive annual budgets, irrespective of when receipts and payments occur, and by showing negotiated refunds and VAT abatements against the annual budget in respect of which they are paid. Sterling figures have been converted from European currency units (ECUs) and European units of account using annual average exchange rates. In 1982 an exchange rate of £1 = 1.42 ecu has been assumed; in 1988 and later years, £1 = 1.43 ecu.

<sup>(2)</sup> The allocated budget includes all items of expenditure allocated or paid to member states. The main item not included is overseas aid. Figures for UK gross receipts include payments made direct to the UK private sector as well as those made to the UK public sector.

<sup>(3)</sup> Mainly the UK's contribution to the Community's overseas aid budget.

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Assumptions

4. The projections are based on the current 1.4 per cent VAT ceiling. In accordance with the agreement on budget discipline of December 1984, the rate of growth of Community expenditure on agricultural market support is projected to grow no faster than the rate of growth of the Community's own resources base.

5. Proposals by the European Commission for changing the Community's financing arrangements, including increasing the ceiling on own resources, making budget discipline more effective, reforming the Common Agricultural Policy, modifying the structure of own resources, and changing the UK's abatement mechanism are currently under discussion within the Community. The Prime Minister made clear after the discussion on these matters at the European Council in Brussels on 29 and 30 June that before the question of additional own resources could be considered, agreement was necessary on effective and binding controls over Community spending, particularly agricultural spending.

Fontainebleau abatement

6. The projections assume the continuation of the Fontainebleau abatement system. The UK's abatement in the 1987 Community budget is 1633 mecu, some £1,150 million. The UK's VAT contributions are being reduced accordingly by some £95 million per month, and our abated VAT rate is 0.83 per cent, compared with 1.35 per cent for Germany and 1.4 per cent for all other member states. The UK's VAT abatement in the 1988 preliminary draft budget is 2513 mecu (some £1,750 million), the largest abatement/refund ever. It includes a correction of 244 mecu (£170 million) to the abatement made in 1987, reflecting new information on the UK's payments to and receipts from the Community in 1986. Our abatements in 1989 and 1990 are expected to be in excess of £1,300 million in each year.

Gross contributions

7. Tables 3.1 and 3.2 show gross contributions, VAT abatements and gross receipts, as well as net contributions. Under the own resources system, gross contributions consist of monthly payments of traditional own resources (agricultural levies and customs duties) and the yield of a notional rate of VAT, which must not exceed 1.4 per cent of a harmonised base agreed in 1977. In 1987, the UK's share of own resources is expected to be around 20½ per cent before taking account of our abatement, and 16 per cent after taking it into account. Of this total, our share of VAT own resources payments is likely to be around 20½ per cent before abatement but only 13½ per cent after abatements, whilst our share of traditional own resources is expected to be around 21 per cent.

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Net payments to European Community institutions

Gross receipts

8. Gross receipts from the Community budget come mainly from the Agricultural Guidance and Guarantee Fund, the Social and Regional Development Funds and refunds in respect of own resources collection costs. Details of the main components of expenditure and revenue in the budget are contained in the Statement on the 1987 Community Budget (Cm 194). Including the amending and supplementary budget agreed in July, the 1987 Community Budget provides for total expenditure of a little over £25 billion of which some £16 billion is for agricultural market support. Expenditure by the Intervention Board for Agricultural Produce and other public authorities in the United Kingdom which give rise to receipts from the Community budget scores as public expenditure in the departmental programmes concerned. A summary analysis of United Kingdom receipts is in Table 3.3. In 1987, the UK's share of receipts from the Community budget as a whole is expected to be around 9 per cent. Table 3.4 gives details of UK receipts analysed by receiving department and Community fund.

Table 3.3 Gross receipts from the Community budget

£ million

	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91
<b>Receipts other than negotiated refunds and VAT abatements</b>									
Agricultural Guidance and Guarantee Fund	820 <sup>(1)</sup>	1,218 <sup>(1)</sup>	1,194	1,281	1,567	1,072	1,105	1,222	1,302
Social Fund	160	251	207	161	413	334	383	416	447
Regional Development Fund	137	180	204	283	329	380	373	379	382
Refund of own resources collection costs	131	133	166	135	168	173	159	181	188
Other receipts	60	116	120	76	74	16	17	23	18
<b>Total</b>	<b>1,308</b>	<b>1,898</b>	<b>1,891</b>	<b>1,936</b>	<b>2,548</b>	<b>1,975</b>	<b>2,037</b>	<b>2,221</b>	<b>2,337</b>
<b>Negotiated refunds and abatements</b>									
Supplementary measures (gross)	774	239	589						
VAT abatements				823	1,343	1,302	1,661	4,590	1,860

<sup>(1)</sup> The pattern of agricultural receipts between 1982-83 and 1983-84 partly reflects an uneven timing of payments.

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24/5/87  
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A outturn  
B estimated outturn  
C plans.

Table 3.4 Receipts from European Community institutions analysed by department and fund

£ million

	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91
Ministry of Agriculture, Fisheries and Food									
EAGGF (Guidance)	16	44	34	38	26	20	22	23	27
Other receipts	1	:	:	3	3	2	1	1	1
Intervention Board for Agricultural Produce									
EAGGF (Guarantee)	778	1,134	1,123	1,210	1,441	1,010	1,039	1,151	1,227
EAGGF (Guidance)	7	5	5	1	—	—	—	—	—
Other receipts	17	14	23	19	9	—	—	—	—
Department of Energy									
European Regional Development Fund	7	9	7	6	6	6	11	10	10
Other receipts	17	20	16	19	22	4	5	5	5
Department of the Environment									
European Regional Development Fund	22	28	23	62	77	97	104	114	120
European Social Fund	—	—	—	—	—	—	—	—	—
Home Office									
European Social Fund	6	1	8	3	—	—	—	—	—
Department of Employment									
European Social Fund	119	210	158	132	355	291	342	375	406
Other receipts	—	—	—	—	—	—	—	—	—
Department of Trade and Industry									
European Regional Development Fund	24	47	61 <sup>(3)</sup>	22	20	25	24	17	16
European Social Fund	—	1	2	—	1	—	—	—	—
Other receipts	—	1	1	1	1	—	1	1	1
Department of Transport									
European Regional Development Fund	18	22	28	65	48	72	76	80	81
Other receipts	—	—	—	4	8	3	5	4	4
Department of Education and Science									
EAGGF (Guidance)	—	—	—	—	—	—	—	—	—
Other receipts	1	1	1	1	1	1	1	2	2
Scottish Office									
EAGGF (Guidance)	12	21	19	21	20	22	21	22	23
European Regional Development Fund	25	36	46	81	82	80	70	74	74
European Social Fund	—	1	1	1	3	1	1	1	1
Other receipts	—	—	—	1	—	1	2	3	3
Welsh Office									
EAGGF (Guidance)	6	11	10	9	8	10	11	12	12
European Regional Development Fund	23	25	22	29	47	56	40	41	43
European Social Fund	—	—	—	—	—	—	—	—	—
Other receipts	—	—	—	—	—	—	—	—	—
Northern Ireland Office									
EAGGF (Guidance)	1	3	3	2	1	10	12	14	13
European Regional Development Fund	18	13	17	18	23	44	48	43	38
European Social Fund	35	38	38	25	54	42	40	40	40
Other receipts	—	15	14	23	—	5	2	7	2
HM Treasury									
Own Resources Refunds	131	133	166	135	168	173	159	181	188
Miscellaneous receipts	25	65	65	5	35	—	—	—	—
<b>Total receipts from European Community Budget</b>	<b>1,308</b>	<b>1,898</b>	<b>1,891</b>	<b>1,936</b>	<b>2,459<sup>(4)</sup></b>	<b>1,975</b>	<b>2,037</b>	<b>2,221</b>	<b>2,337</b>
<b>Receipts from the European Coal and Steel Community</b>									
Department of Energy	11	17	5	10	67	54	47	23	24
Department of Employment	1	1	—	—	—	—	—	—	—
Department of Trade and Industry	40	31	39	36	8	8	3	3	3
<b>Total receipts from European Community institutions</b>	<b>1,360</b>	<b>1,947</b>	<b>1,935</b>	<b>1,982</b>	<b>2,534</b>	<b>2,037</b>	<b>2,087</b>	<b>2,247</b>	<b>2,364</b>

(1) (2) (3) (4) (5) European Agricultural Guarantee and Guidance Fund.  
 (1) signifies receipts of less than £½ million.  
 (2) Includes increase between 1 April 1984 and 31 March 1985 of £29 million held in a suspense account.

(4) The difference between the figures for departments' total receipts in 1986-87 in this table and the figure in Table 3.3 arises principally because departments have increased their suspense account holdings during the period 1 April 1986 to 31 March 1987. In the case of the Intervention Board for Agricultural Produce the increase was some £67 million, other departments having increased/decreased their holdings by smaller amounts.  
 (5) In addition the Department of Health and Social Security, the Office of Fair Trading and the Office of Population Censuses and Surveys receive minor amounts across the period, which in total amount to less than £½ million in any one year.

(4) In 1986-87, total receipts by department in this table may be different from those in Table 3.3 because of changes in the amounts held in departmental suspense accounts.

⊠ outturn  
 ⊡ estimated outturn  
 ⊢ plans



Comparison with last White Paper

9. The projection of net payments to Community institutions is substantially higher than that contained in last year's Public Expenditure White Paper. The figure for 1987-88 has been increased by £530 million, reflecting primarily a shortfall in agricultural receipts of more than £200 million, higher payments of agricultural levies and customs duties, and an assumed advance of £140 million of traditional own resources from April to March 1988 (and hence from 1988-89 to 1987-88). The projections for 1988-89 and 1989-90 have been revised up by £360 million and £410 million, respectively. The deterioration in these years arises mainly because the UK's assumed share of agricultural receipts has been revised down from 84 per cent to 64 per cent, reducing receipts by over £300 million a year. Own resources payments - VAT, customs duties and agricultural levies - in these years have been revised up as well.

of 1987-88

changes reflecting higher levels of economic activity,

in these years has also upwards.

Move to direct after Table 3.3

Bibliography

Statement on the 1987 Community Budget, HMSO, Cm 194.

Decision of the Council of the European Communities on the Communities System of Own Resources, HMSO, Cm 9549.

Statement in the House of Commons by the Prime Minister on 1 July 1987 (HC/Cols 493-519).

Statement in the House of Commons by the Prime Minister on 10 December 1987 (HC/Cols 100-101).

Cmnd 1

HC/Cols 493-519

84

HC/Cols 167-178

→ after taking account of a small classification change

FROM: JOHN GIEVE

DATE: 6 January 1987

CHIEF SECRETARY

cc Chancellor  
 FST  
 EST  
 MST  
 Sir P Middleton  
 COGPEC  
 Mr R I G Allen  
 Mr Dyer  
 Mr Tyrie  
 Mr Call  
 Miss Walker  
 Mr G C White

*\* \* Re X 19 Jan 4  
 with my (of course) class  
 18 there on spec.  
 who are sht for 20 Jan 4?  
 op*

**PUBLICATION OF THE 1988 PUBLIC EXPENDITURE WHITE PAPER**

We need now to seek the Prime Minister's agreement to the exact timing and arrangements for publication of the White Paper.

2. When your private secretary circulated the draft before Christmas, she said that we proposed publication on 19 or 20 January. No one has suggested that either date would cause difficulties. I attach a draft letter, therefore, proposing publication on 19 January as agreed.

3. We need to decide also whether to publish in the morning or afternoon. Mr Allen is minuting separately on the press arrangements. He sees advantages in publishing at 11.30 in the morning. This makes it possible for the White Paper to be covered in the lunchtime news programmes and gives the press more time to work up stories for the daily papers and evening broadcasts than would afternoon publication (especially as that would probably have to be deferred until after PM's questions). Since it has not been the practice to make an oral statement on publication of the White Paper in recent years, this should not raise Parliamentary difficulties.

4. There is a question down for 14 January asking for the date of publication. It may be reached during oral PQ's. We recommend

that you should use that opportunity to announce the date and time of publication. I attach a copy of the draft answer and a background note on previous publication times. We will notify the clerk to the TCSC at the same time

5. Last year, we pressed departments to issue their own press notices at the time of publication. A few did so (MAFF, Customs, ODA, LCD, DTI, Transport, Scotland and Home Office). There is not a great deal of news in the White Paper and most major departments issued press notices at the time of the Autumn Statement (or in the case of Scotland and DTI have subsequently made major statements on expenditure plans). Against that background, we do not recommend that you should press departments to make further press releases at the time of the White Paper this year but we will be making arrangements to ensure that any press notices that are released are cleared with the Treasury beforehand.

6. I attach a draft letter for your private secretary to send to the Prime Minister's private secretary.

*John Gieve*

JOHN GIEVE

**DRAFT LETTER FOR PS/CHIEF SECRETARY**  
**TO SEND TO P GRAY ESQ**  
**10 Downing Street**

**PUBLICATION OF 1988 PUBLIC EXPENDITURE WHITE PAPER**

The text of the 1988 White Paper was cleared in correspondence before Christmas. We now need to settle arrangements for publication. The Chief Secretary proposes that it should be published at 11.30am on Tuesday 19 January. We are not aware of any other major publication or announcement with which that would clash. X

As usual we do not plan an Oral Statement on publication of the White Paper. Instead there is usually a debate in the House a few weeks after publication following a report by the Treasury Select Committee. The Chief Secretary proposes to announce the details of publication in response to an oral question for answer on Thursday 14 January  
... in the terms attached.

As in the past, the Chief Secretary will be arranging on-the-record briefing for the press. As the White Paper is a long and complex document, we envisage issuing embargoed confidential final revisions on the day before publication.

The Chief Secretary expects that several departments will wish to issue their own press notices commenting on and explaining the plans set out in the White Paper. These should be cleared in advance with the relevant Treasury expenditure divisions.

I am sending copies of this letter to the Private Secretaries to Ministers in charge of Departments, the Chief Whip, and Sir Robin Butler, and to Mr Bernard Ingham.

**MISS RUTTER**

MR ARCHY KIRKWOOD: To ask Mr Chancellor of the Exchequer, when he expects to publish the White Paper on Public Expenditure.

DRAFT REPLY

The 1988 Public Expenditure White Paper will be published at 11.30am on Tuesday 19 January and copies will be available in the Vote Office.

1. Timing of publication of PEWPs in previous years

1979 11.15am  
1980 11.30am  
1981 11.30am  
1982 11.30am  
1983 3.30pm  
1984 noon  
1985 3.30pm  
1986 3.30pm  
1987 noon

2. No oral statement on publication since 1979.

3. Will there be an oral statement on the PEWp and an opportunity to ask questions?

As in previous years do not plan on oral statement. Copies will be available in the Vote Office. As in previous years expect there to be a full debate in due course following TCSC report.

4. Unusual not to make a statement to the House on the White Paper?

Not customary to make an oral statement on the PEWP. Main points on spending plans announced already in Autumn Statement. PEWP simply fills out these plans in detail.

CONFIDENTIAL

*phoned through*

FROM: JOHN GIEVE

DATE: 18 January 1988

CHIEF SECRETARY

cc **Chancellor**  
 Financial Secretary  
 Paymaster General  
 Economic Secretary  
 Sir P Middleton  
 Sir T Burns  
 Mr Anson  
 Mr Kemp  
 Mr Monck  
 Mr Scholar  
 Mr Turnbull  
 Mr Culpin  
 Miss Peirson  
 Mr R I G Allen  
 Mr Pickford  
 Miss Walker  
 Mr Call  
 Mr Tyrie  
 Mr Odling-Smee

*Ch/Content with line  
 on "expenditure measures  
 in Budget" question?*

*No. 1 have*

*WPM 18/1*

#### WHITE PAPER BRIEFING: KEY QUESTIONS

I attach a suggested lines to take on the key questions identified at your meeting this morning. As you will see this is intended to dampen expectations of expenditure measures in the Budget but falls short of a categorical statement that there won't be any; we think it would be unnecessary to close options in this way.

2. ST2 will be sending you some supplementary material on Health, including questions on the health share of GDP and the monitoring of output and VFM. We are also circulating tonight replacement pages for the main White Paper briefing where this has been revised since last Thursday.

3. Your opening statement to the press conference includes a paragraph on the outturn for the current year, 1987-88. This is still uncertain but latest indications suggest that it may turn out a little lower than the figure in the White Paper. While we do not want to suggest publicly at this point that the outturn is likely to be lower than the White Paper figure,

£147.3 billion, it would be prudent to indicate that there is inevitably still some uncertainty about the exact outturn. I have suggested an amendment to your speaking note in this vein.

4. The following departments are planning to issue press releases on Wednesday (or in some cases written answers).

MAFF

DTI

ODA

Northern Ireland

DOE

Home Office

Transport

Scotland

Wales

DHSS are still undecided.

5. We are not aware of any Ministers who intend to hold press conferences on their programmes.

*John Gieve*

JOHN GIEVE



Are you considering the scope for increasing expenditure as well as decreasing taxes and borrowing in the Budget?

We review taxes, borrowing and expenditure each year on a rolling programme. This begins with the Budget when we revise the medium term financial strategy and also make proposals on taxation. Expenditure plans are reviewed in the light of the new MTFS in the annual Public Expenditure Survey which gets underway in the Summer. The results of the 1987 Survey are set out in this White Paper.

Revenues are clearly more buoyant than projected in the last Budget which underlay the expenditure decisions set out in the White Paper. If, as it appears, there is "money to give way" how can you justify ruling out expenditure increases?

?  
I am not going to comment on what the Budget forecast of revenues may show or on what the Budget measures may be. However, the time to review our expenditure plans ~~in the light of the revised MTFS~~ is the annual Survey rather than the Budget. In the last two years we have been able - in the light of improved economic performance - to make substantial increases to our plans. We will be looking at the totals and priorities both within and between programmes in the 1988 Survey when we can draw together the threads both on inputs and outputs across the whole field of public expenditure.

Are you ruling out more for the NHS in the Budget?

*The Budget is the occasion on which the Chancellor announces his plans for taxation & borrowing.*  
~~I am not going to anticipate the Chancellor's Budget statement.~~ This White Paper sets out our plans for the NHS as for other expenditure programmes. We will be reviewing these in the normal way in the annual public expenditure survey and, as I made plain in the debate on the Autumn Statement, we will be weighing not only questions about financial inputs but also the value for money that we are achieving with the very substantial funds we are already investing in the Health Service.

How can you justify taking decisions on taxation and decisions on expenditure separately (especially, eg, on rates of social security benefits)?

The annual cycle of review of taxation and expenditure leads to decisions at slightly different times, but they are fully consistent and both are based on

medium term financial strategy. The Government has made quite plain since 1979 its commitment to reducing expenditure in relation to national output in order to make room for reductions in taxation and hence sharper incentives at prudent levels of borrowing. The economic success that we have achieved in the last few years cannot simply be taken for granted. In considering whether to use any fiscal adjustment for expenditure measures or taxation the key question is now to foster and build on that overall economic success not, simply, how to distribute any dividend that economic success may have brought.

If GDP is rising faster than you anticipated in the Autumn Statement, isn't there room for higher spending within your declining ratios?

Reducing the ratio is a medium term aim and we are not trying to hit particular percentage figures in particular years. Above average growth in one year does not necessarily imply faster growth in the medium term. We set our cash plans for public spending on the basis of a prudent view about the medium term prospects for the economy. These are not changed automatically to reflect changed estimates of money GDP.

But if new GDP projections in 1988 MTFIS are higher than those in the Autumn Statement, will you increase the planning totals again in the 1988 Survey?

Reducing the ratio of expenditure to national output is a medium term aim; setting and delivering cash planning totals is the policy instrument designed to achieve that aim. We will review the planning totals in the coming Survey but no presumption that they will be changed. We have set aside larger Reserves within the totals this year.

Why are the Reserves so large?

Experience suggests large Reserves needed. Ratio of 1:2:3 means provision drawn down in earlier years can be carried forward to later years while still leaving adequate provision for new commitments.

With Reserves so high, the departmental figures are not real plans - merely the starting point for further negotiations

Departments cannot count on access to Reserves. Most of the Reserves likely to be required for unforeseen contingencies and estimating changes, so departments

plan on basis of programme figures. In any case an uncommitted margin of 2% in year 1 rising to 5½% in year 3 does not seem excessive.

Why is the Treasury blocking the Ibbs proposal for improving management in the Civil Service?

Not going to comment on press speculation. The Efficiency Unit has made some proposals which are being discussed both with the Treasury, and other departments. No decisions have yet been made.

No proper mechanism for determining priorities (TCSC report)

No conceivable 'mechanism' could weigh eg spending on defence against spending on health or museums. These have to be political judgements. Government reviews policy continually but Public Expenditure Survey draws the threads together each year and allows Ministers collectively to weigh spending in different areas in light of full assessment of outputs and the overall expenditure position.

The Autumn Statement has already set out the expenditure policy, why have the PEWP at all? Why not merge it with Estimates?

It is important for Government to set out regularly in some detail its plans for expenditure and an account of what it has spent and achieved in the past. This is the role of the White Paper. The PAC and TCSC have suggested that the material could be packaged in different ways possibly in combination with Estimates. We can see advantages but there are many other implications eg for the timetable of work in government and we are looking at those before responding to the Committees [which we plan to do later this year].

The local authority figures in the White Paper are unrealistic. Why not change the planning total to reflect what Government can control?

The Government's medium term aim is to reduce the burden of taxation whether local or national and it has formulated its aim for expenditure accordingly. [General Government expenditure is the sum of local and central government expenditure]. Since responsibility for many services is split between local and central government, it makes sense to look at the two spending authorities alongside one another.

How does the 3-year arts settlement differ from, say, defence?

The difference is that it has been agreed that the figures in this White Paper of the central Government's Arts Budget will not be reconsidered (for increase or decrease) in the coming Surveys except in specified exceptional circumstances. The defence programme will be reconsidered in the normal way in the coming Survey.



FROM: JILL RUTTER

DATE: 21 January 1988

PS/CHANCELLOR

- CC:
- PS/FST
- PS/PMG
- PS/EST
- Sir P Middleton
- Mr Anson
- Mr Kemp
- Mr Turnbull
- Mr Gieve
- Mr Pickford
- Mr R I Allen
- Mr Cropper
- Mr Tyrie
- Mr Call

PEWP: LETTER TO BACKBENCHERS

I attach a draft letter to backbenchers. The Chief Secretary would wish to discuss this at Prayers tomorrow. (see Tyrie below)

I would be grateful if Mr Gieve and Mr Turnbull could check the facts in this revised version as quickly as possible so that we can incorporate any amendments in the final version.

*Ch*  
*Rutter too much*  
*on income &*  
*individual programmes?*

*AA*

JILL RUTTER  
PRIVATE SECRETARY

## WHITE PAPER ON PUBLIC EXPENDITURE

The White Paper on Public Expenditure was published ~~yesterday~~ *on Wednesday.*  
~~[Some television and press coverage has been rather misleading and so]~~ I thought you might find it useful to have some background and key points on it.

The Public Expenditure White Paper is not an occasion for announcing new decisions on public expenditure. Those were announced last November in the Autumn Statement when the Chancellor set out our plans for increases both in the overall level of public spending and, particularly, on our priority programmes. *over the next three years.*

The White Paper ~~simply~~ fleshes out those plans with further details on each individual programme. It explains exactly where the money goes and how we are obtaining better value for money. It shows clearly how we have increased spending on our priorities. The two month ~~gap~~ *delay* between the announcement of our plans and the publication of the White Paper does not *spring* result from any further review of plans, *which occurs annually,* but ~~simply~~ reflects the considerable practical task of collating the detailed information and producing a document of over 500 pages.

Looking at the totals first, our stated strategy remains - as it has been since 1979 - to reduce the public sector's share of *total* national income so that we can reduce taxation, while *and provide a favourable climate for the private* maintaining a prudent level of borrowing. That is the way to foster enterprise and economic growth, without which we cannot improve public services and private prosperity on a sustainable basis.

*In this way,*

*the*  
 As the economy grows we are able to afford real increases in public spending without putting a strain on *the* national finances. In the four years from 1986-87 to 1990-91 we plan for real

terms growth in total expenditure of about 1½ per cent a year. Within that sum the amount available for services is planned to increase more speedily because our prudent approach to borrowing is reducing the burden of debt interest. In the next three years, therefore, the sums available for services are set to increase by over 2 per cent a year in real terms - about £3 billion a year extra at today's prices.

*carefully*  
Each year we re-examine spending plans, and ~~in both of~~ the last two Surveys the strength of the economy has enabled us to increase them. ~~This White Paper shows increases of~~ £2½ billion ~~for 1988-89~~ (following an increase of £5½ billion in last year's White Paper) and £5½ billion for 1989-90.

*So the true message from our plans is that we have been able to increase priority expenditure within the framework of a prudent approach to public finances. Taxation is down, borrowing is down and priority spending is up. This prudent approach, of ensuring that total public expenditure grows less rapidly than the economy as a whole, was clearly spelled out in our Autumn Manifesto last year, and we will stick to it.*  
So the true message from our plans is that we have been able to increase priority expenditure within the framework of a prudent approach to public finances. Taxation is down, borrowing is down and priority spending is up. This prudent approach, of ensuring that total public expenditure grows less rapidly than the economy as a whole, was clearly spelled out in our Autumn Manifesto last year, and we will stick to it. But, keeping public spending under control does not mean arbitrary cuts. Within our new plans there are increases for a wide range of services including:

- (i) **Aid.** We have increased provision by £32 million in 1988-89 and £63 million in 1989-90 and in addition we have agreed to provide funds to cover the extra cost of contributions to the IMF structural adjustment facility to help the poorest debtor countries. The aid budget is set to increase in real terms in the next 3 years.
- (ii) **Arts.** This year we concluded a special three-year settlement for the arts which allows for central government spending to rise by some 27 per cent over the years to 1990-91. That is on top of over 30 per cent growth in real terms since we took office in 1979.

(iii) **Defence.** We have increased provision by over £200 million in 1988-89 and nearly £500 million in 1989-90 over last year's plans. There has been some comment about the apparent real terms fall in spending provision between 1987-88 and 1988-89. But to get a true picture, it is necessary to take account also both of the real increase of 25 per cent since 1978-79, and of the fact that the Ministry of Defence will carry forward a substantial sum from this year's budget into next year. This must be added to the new provision set out in the White Paper. Moreover by contracting out support services we are saving at least £40 million a year and yielding substantial sums by bringing competition to bear on defence procurement.

(iv) **Education.** The plans show an increase in provision of over £600 million in 1988-89 and £800 million in 1989-90. This will provide extra resources for universities and science and enable us to increase still further the proportion of young people entering higher education. As you know, this proportion is already at record levels. We have also made available an additional £60 million for capital spending to improve school buildings and a further £61 million to assist universities in essential restructuring. The science budget too has been increased by £47 million.

(v) **Health.** The Health service has again been a prime beneficiary. Our plans show the largest ever increases to provision for the NHS. Next year we have made provision to spend over £1.1 billion more than we are doing this year, and there are similar increases in the following years. Taking account of the resources released by cost improvement programmes and by the new schemes for generating income in the hospital service, gross spending in

|| Provision  
vs out-turn  
(at 1/1/89)



1988-89 will rise by between 2½ per cent and 3 per cent in real terms. We also have an excellent record on capital spending with over £1 billion committed to capital schemes next year. Since 1978-79 we have increased the level of capital spending by over 35 per cent in real terms and these further increases will allow the NHS to continue to expand and improve patient care.

(vi) **Housing and Environment.** Receipts from council house and new town sales are running at record levels, and this White Paper shows a further rise in provision for gross capital expenditure. This <sup>amount</sup> amounts to nearly £400 million in 1988-89 and includes additional provision for estate action, renovation of local authority buildings, the housing corporation and housing action trusts. The provision for Urban Development Corporations has been increased by £70 million in both 1988-89 and 1989-90

(vii) **Law and Order.** This has always been a priority and remains so. Next year we have provided an additional £240 million for the police. The prison building programme has been speeded up and an additional 4,200 prison places will be provided by 1993. Overall the programme shows a real increase of 50 per cent since 1978-79 with further real growth to come.

viii **Social Security.** Our plans again ~~show~~ <sup>provide for</sup> large increases of over £1 billion in each year of the Survey. The social security budget continues to grow in real terms despite the welcome fall in unemployment. This is largely because of <sup>87</sup> the continuing growth in the cost of pensions and benefits for the sick, the disabled and families.

- (ix) **Trade and Industry.** Provision for DTI programmes shows increases of £280 million a year in each of the next two years. David Young has announced a radical restructuring of programmes, to focus assistance on small businesses and to move away from automatic grants. Even so, as the plans made clear, this has not involved reductions in regional assistance.
- (x) **Transport.** The White Paper makes additional provision for a major programme of bridge maintenance. Capital spending on motorways and trunk roads in England will be 30 per cent higher in real terms in 1988-89 than 1978-79
- (xi) **Science and Technology.** The White Paper shows increased provision for civil science and technology of about £250 million in 1988-89 and 1989-90 compared with previous plans. As a result civil science and technology spending will go up by 3 per cent next year in real terms.

I hope you find this information useful and that it puts our plans in proper perspective.

JM

From: The Rt. Hon. JOHN MAJOR MP

prop

Ch

Latest draft

- still discussing  
final numbers with  
DHSS

(some CST still  
get your comment)

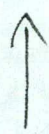
2 minor omissions

22nd January

AA

OK as amended.

↑  
Dear Colleague,



~~January 1988~~

**WHITE PAPER ON PUBLIC EXPENDITURE**

The White Paper on Public Expenditure was published on Wednesday. I thought you might find it useful to have some background and key points on it.

The Public Expenditure White Paper is not an occasion for announcing new decisions on public expenditure. Those were announced last November in the Autumn Statement when the Chancellor set out our plans for increases both in the overall level of public spending and, particularly, on our priority programmes over the next three years.

The White Paper fleshes out those plans with further details on each individual programme. It explains exactly where the money goes, what it buys and how we are obtaining better value for money. It shows clearly how we have increased spending on our priorities. The two month delay between the announcement of our plans and the publication of the White Paper does not spring from any further review of plans, which occurs annually, but simply reflects the considerable practical task of collating the detailed information and producing a document of over 500 pages.

Looking at the totals first, our stated strategy remains - as it has been since 1979 - to reduce the public sector's share of total national income so that we can reduce taxation and provide a favourable climate for the private sector while maintaining a prudent level of borrowing. That is the way to foster enterprise and economic growth, without which we cannot improve public services and private prosperity on a sustainable basis.

Sharp

John M. Re

In this way, as the economy grows we are able to afford real increases in public spending without putting a strain on the national finances. In the four years from 1986-87 to 1990-91 we plan for real terms growth in total expenditure of about 1 1/4 per cent a year. Within that sum the amount available for services is planned to increase more speedily because our prudent approach to borrowing is reducing the burden of debt interest. In the next three years, therefore, the sums available for services are set to increase by over 2 per cent a year in real terms - over £3 billion a year extra at today's prices.

Each year we carefully re-examine spending plans, and the White Paper reflects the fact that in the last review we felt able to increase public expenditure plans for 1988-89 by £2 1/2 billion (following an increase of £5 1/2 billion in last year's White Paper) and £5 1/2 billion for 1989-90.

1988-89 ✓

So the true message from our plans is that we have been able to increase priority expenditure within the framework of a prudent approach to public finances. Tax rates are down, borrowing is down, and priority spending is up. This prudent approach, ensuring that total public expenditure grows less than the economy as a whole, was clearly spelt out in our election manifesto last year, and we will stick to it.

rapidly

Keeping public spending under control does not mean arbitrary savings. But we have consciously made savings on a number of areas; reducing subsidies to industries, both public and private; by getting the private sector to play a greater role in housing; and by holding down borrowing. This has enabled us within our new plans to increase provision for a wide range of priority programmes including:

S in X X

- (i) **Aid.** We have increased provision by £32 million in 1988-89 and £63 million in 1989-90 and in addition we have agreed to provide funds towards the extra cost of contributions to the IMF structural adjustment facility to help the poorest debtor countries. The aid budget is set to increase in real terms in the next 3 years.
- (ii) **Arts.** This year we concluded a special three-year settlement for the arts which allows for central government spending to rise in cash terms by some 27 per cent over the years to 1990-91.
- (iii) **Defence.** We have increased provision by over £200 million in 1988-89 and nearly £500 million in 1989-90 over last year's plans. There has been some comment about the apparent real terms fall in spending provision between 1987-88 and 1988-89. But to get a true picture, it is necessary to take account also both of the real increase of 25 per cent

since 1978-79, and of the fact that the Ministry of Defence will carry forward a substantial sum from this year's budget into next year to add to the new provision set out in the White Paper. Moreover by contracting out support services we are saving at least £40 million a year and even larger sums by bringing competition to bear on defence procurement.

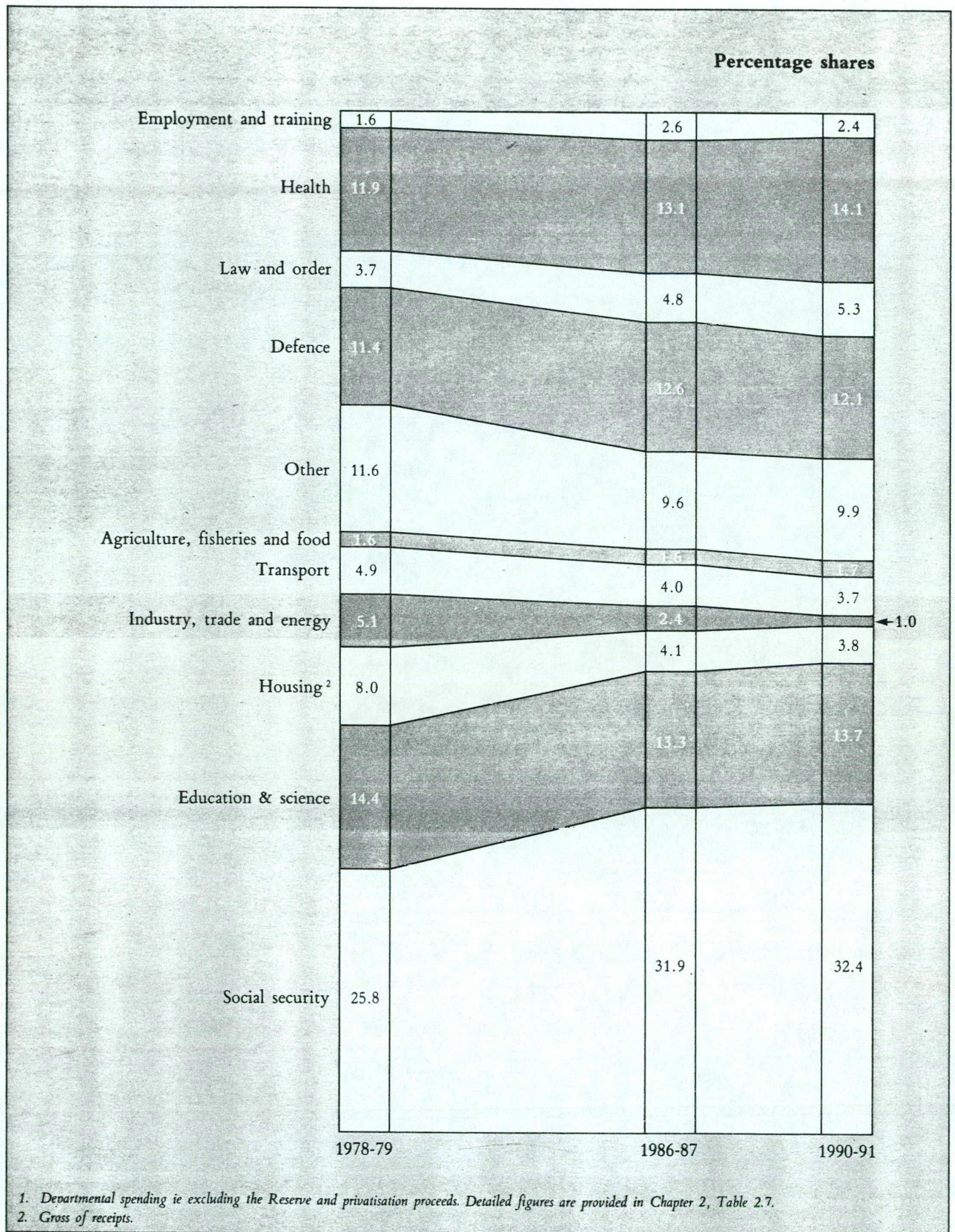
- (iv) **Education.** The plans show an increase in provision of over £600 million in 1988-89 and £800 million in 1989-90. This will provide extra resources for universities and science and enable us to increase still further the proportion of young people entering higher education. As you know, this proportion is already at record levels. We have also made available an additional £60 million for capital spending to improve school buildings and a further £61 million to assist universities in essential restructuring. The science budget too has been increased by £50 million.
- (v) **Health.** The Health service has again been a prime beneficiary. Our plans show the largest ever increases to provision for the NHS. Next year we have made provision to spend over £1.1 billion more than we are doing this year, and there are similar increases in the following years. (This increase is, of course, measured after including <sup>in</sup> the 1987-88 figure the extra money made available <sup>^</sup> during the course of the year. If you compare next year's plans with the original plans for 1987-88 set out in last year's White Paper, the increase is around £1.7 billion). Taking account of the resources released by cost improvement programmes and by the new schemes for generating income in the hospital service, resources for 1988-89 will rise by between 2½ per cent and 3 per cent in real terms. We also have an excellent record on capital spending with over £1 billion committed to capital schemes next year. Since 1978-79 we have increased the level of capital spending by over 35 per cent in real terms. Our plans will enable the NHS to continue to expand and improve patient care. X
- (vi) **Housing and Environment.** Receipts from council house and new town sales are running at record levels, and this White Paper shows a further rise in provision for gross capital expenditure. This increase amounts to nearly £400 million in 1988-89 and includes additional provision for estate action, renovation of local authority buildings, the housing corporation and housing action trusts. The provision for Urban Development Corporations has been increased by £70 million in both 1988-89 and 1989-90. X

- (vii) **Law and Order.** This has always been a priority and remains so. Next year we have provided an additional £240 million for the police and an extra £60 million to speed up the prison building programme and provide an additional 4,200 prison places by 1993. Overall the programme shows a real increase of 50 per cent since 1978-79 with further real growth to come.
- (viii) **Social Security.** Our plans again provide for large increases of over £1 billion in each year of the Survey. The social security budget continues to grow in real terms despite the welcome fall in unemployment. This is largely because of the continuing growth in the cost of pensions and of benefits for the sick, the disabled and families.
- (ix) **Trade and Industry.** Provision for DTI programmes shows increases of £280 million a year in each of the next two years. David Young has announced a radical restructuring of programmes, to focus assistance on small businesses and to move away from automatic grants. Even so, as the plans made clear, this has not involved reductions in provision for regional assistance.
- (x) **Transport.** The White Paper makes additional provision for a major programme of bridge maintenance. Capital spending on motorways and trunk roads in England will be 30 per cent higher in real terms in 1988-89 than 1978-79
- (xi) **Science and Technology.** The White Paper shows increased provision for civil science and technology of about £250 million in 1988-89 and 1989-90 compared with previous plans. As a result civil science and technology spending will go up by 3 per cent next year in real terms.

I attach a couple of charts from the White Paper which clearly illustrates our priorities and record on public spending. I hope you find this information useful and that it puts our plans in proper perspective.

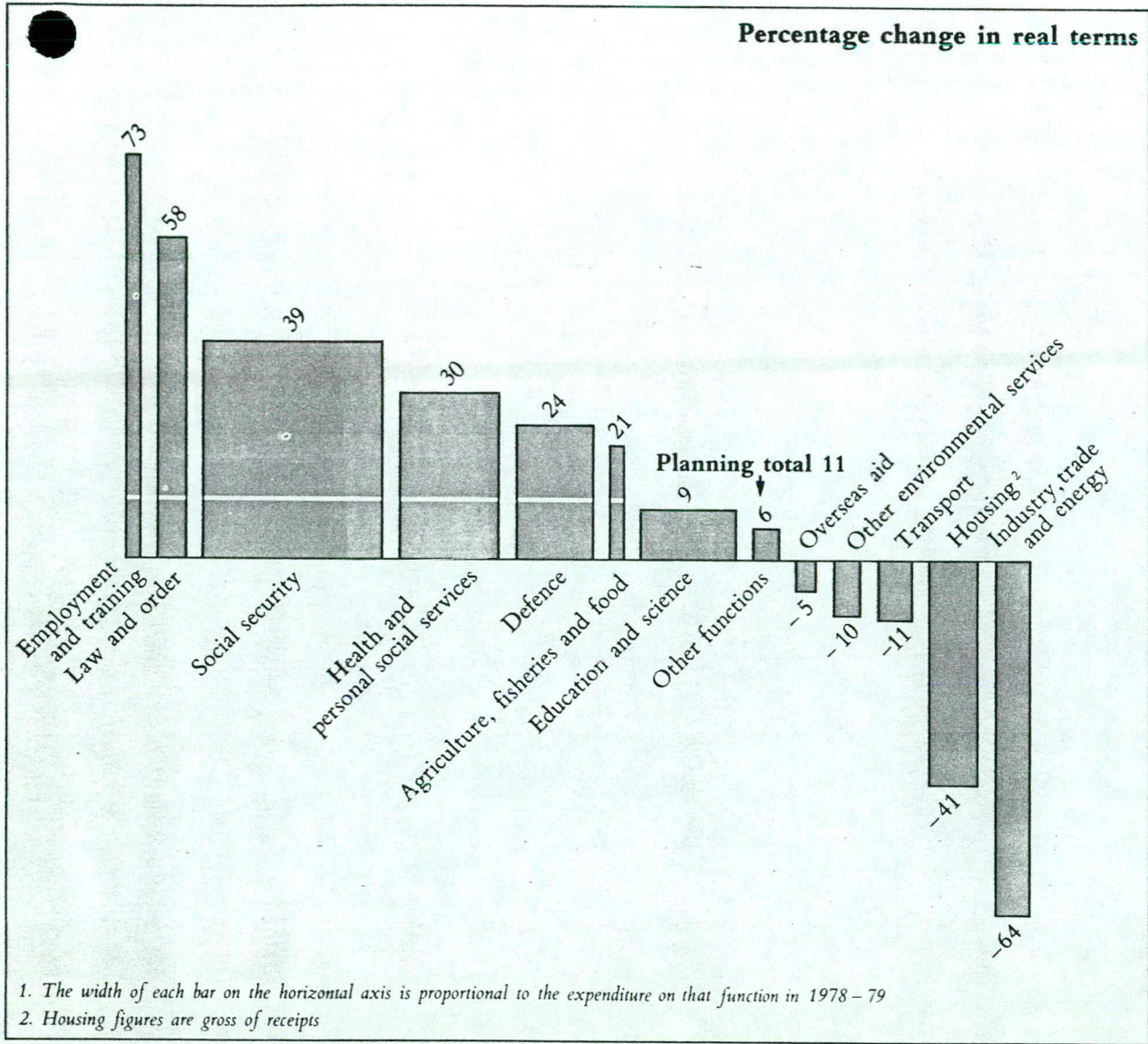
JOHN MAJOR

Chart 1.10 Public expenditure<sup>(1)</sup> by function



Historical trends

Chart 5.13 Percentage changes in spending by function between 1978-79 and 1987-88<sup>1</sup>



13. Table 5.14 illustrates trends in public sector capital spending. It uses the wider definition of capital spending described earlier and shows that public sector capital spending in the current year is broadly level, in real terms, with that in 1978-79.



FROM: MISS C EVANS  
DATE: 22 JANUARY 1988

MR TURNBULL

- cc **Chancellor** 12/2
- Chief Secretary
- Financial Secretary
- Paymaster General
- Economic Secretary
- Sir Peter Middleton
- Sir Geoffrey Littler
- Sir Terence Burns
- Mr Anson
- Mr Kemp
- Mr Monck
- Mr Scholar
- Mr Culpin
- Mr Odling-Smee
- Mr Peretz
- Mr Robson
- Mr Gilmore
- Miss Peirson
- Mr Hawtin
- Mr Luce
- Mrs Lomax
- Mr Moore
- Mr Segwick
- Mr R I G Allen
- Mr Pickford
- Mr Gieve
- Mr Hansford
- Miss Walker
- Mr Cropper
- Mr Tyrie
- Mr Call

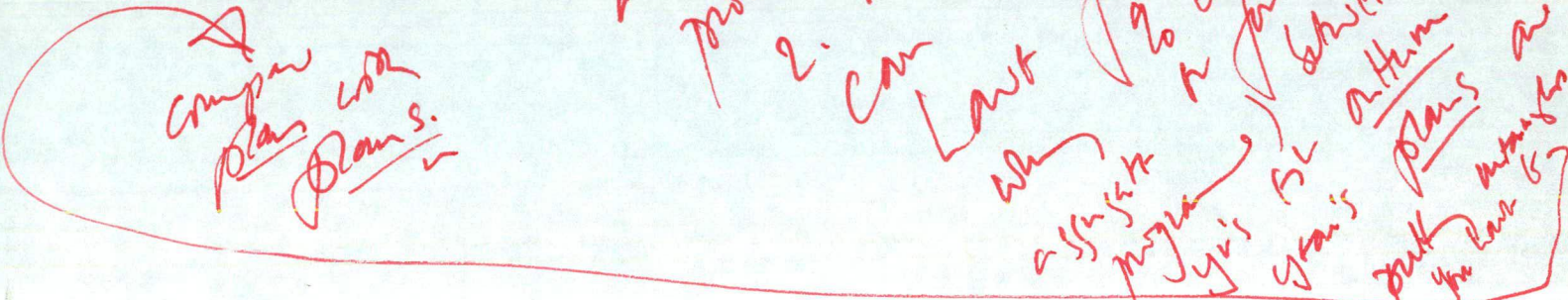
**TCSC: OFFICIALS' EVIDENCE ON THE PEWP**

... I attach the questions received from the Clerk. A few more follow on Monday - as indicated. As discussed you will be in touch with copy recipients to allocate responsibility for providing notes on these questions and the composition of the team.

There is a *answer*  
*handing* of an *article*  
 to X! (a) *publish*  
 the *process* *what* *publish* *1987*  
 when the *process* *what* *publish* *1987*  
 (S) *on* *article* *publish* *1987*  
 process *an* *article* *publish* *1987*  
 2. *can* *publish* *what* *publish* *1987*  
*Law* *publish* *what* *publish* *1987*  
*who* *publish* *what* *publish* *1987*  
*a* *publish* *what* *publish* *1987*  
*publish* *what* *publish* *1987*  
*publish* *what* *publish* *1987*  
*publish* *what* *publish* *1987*

MISS C EVANS

*Compare with Plans*



**TCSC: OFFICIALS' HEARING**  
**SUGGESTED QUESTIONS PREPARED BY THE ADVISERS TO THE COMMITTEE**

**PEWP presentation and timing**

- Good question!*
1. Since the expenditure aggregates are the same as in the Autumn Statement why not publish the Volume 1 material alongside the Autumn Statement with separate Departmental chapters/reports: later?
  2. The PEWP is improving all the time but also becoming much more unwieldy. Is this not a further argument for separate departmental reports?
  3. To what extent does the form and content of Volume 2 reflect the Treasury's input? Given the Treasury's editorial role why is there so much variation between chapters? How does the process of agreeing chapters with departments work in practice?
  4. Why not include a territorial breakdown of expenditure figures?

**Underspends/overspends**

5. What is the Treasury's attitude to the forecast underspend of £1.3 billion? Why not include a reconciliation table showing how the overall underspend is made up?
6. If underspends continue to occur, does this mean that future planning totals are inaccurate?
7. Is having such large Reserves consistent with accurate forecasting and control of departmental programmes?
8. Page 106 of Volume 1 refers to ECGD losses on the trading account. What is the effect of this on the planning total?
9. How do Bank of England activities, such as investment in fixed assets, fit into public expenditure?
10. How does intervention affect public expenditure?

**Planning total**

11. How is the planning total produced? Given the overall constraints that public expenditure should rise more slowly than GDP, the planning total could be £1 or £2 billion more than it is. What is therefore the rationale for the present level?

### Revenue/expenditure

12. The Treasury has said that it is not prepared to debate expenditure in a revenue context in the Autumn Statement because the publication of revenue forecasts tends to heighten speculation about tax cuts. Given the level of speculation this year, would it not be helpful to publish revenue projections at the time of the Autumn Statement or the PEWP?

### Debt interest

13. What assumptions are made about interest rates and debt redemptions?

### Privatisation

X 14. The privatisation receipts figures are unchanged from last year - is this not odd given the Stock Market fall? Does this mean that you will be selling more to get the same receipts?

### Adjustments

15. What is the meaning of paragraph 11(iii) on page 31 of Volume 1?

### Clawback

16. Paragraph 24, page 249, Volume 2 refers to the legislative changes enabling health authorities to carry out various commercial activities. Will regional health authorities be allowed to keep these increased receipts?

### Aims, objectives, targets etc

17. The increased number of indicators is noted on achievement against targets. Do you intend that future documents should report on progress against objectives? The press notice highlighted the number of indicators but some of them are not real indicators simply output measures. What percentage of the 1800 do you regard as real performance indicators?

18. Is there a central discussion in Whitehall about the ways of improving performance indicators and assessing the achievement of targets?

### Relative price effect

19. Page 128 of Volume 2 shows that the level of inflation in road construction is below the GDP deflator. Could we not have this kind of analysis in relation to more programmes for example the useful work done by the Select Committee on Social Services (see their report in the last session, House of Commons paper 413, pages 4 and 5)? How do departments cope with the effects of exchange rate fluctuations. This must create enormous problems in a department like Defence for example, although we recognise that on Trident the effect of the falling dollar has been helpful. Are departments required to absorb exchange rate and relative price effects?

Questions on capital spending, (including the apparently low level of capital spending by central government compared with local government), running costs/manpower, and efficiency gains (how do you substantiate the  $1\frac{1}{2}$  per cent figure?) - to follow on Monday)

Ch/ content?

CONFIDENTIAL

mpw

12/2

I agree. This is a better presentation than the previous Table 2.9.

FROM: A TURNBULL  
DATE: 12 February 1988

1. MR ANSON

Copies attached for:

Chief Secretary  
Sir Peter Middleton

2. CHANCELLOR

*Ch/ - This will be a substantial improvement.*

✓  
12/2

cc PEX  
Dame Anne Mueller  
Mr Kelly  
Mr Chivers  
Mr Gilhooly  
Mr Bell  
Miss Walker  
Mr G C White  
Mr Deaton  
Miss Adamson  
Mr Stuart  
Mr Miller

PUBLIC EXPENDITURE WHITE PAPER: ECONOMIC CATEGORIES

In the light of Chris Huhne's article on 27 January you asked whether the PEWP could in future provide details of pay and pay bills for past years.

2. We have examined this possibility with the Pay Group and RC as part of a review of the economic category analysis provided in the PEWP and now propose including an analysis which shows, separately for central and local government, outturn figures for public service pay but combines figures with other current expenditure on goods and services for the plan years and the outturn year. The proposed structure of the table for the 1989 PEWP is at Annex A (though based on the time span and figures of the 1988 PEWP) with the 1988 PEWP table at Annex B. The change proposed is summarised below:-

835

## 1988 PEWP

## PROPOSAL FOR 1989 PEWP

Departmental running costs

Public service pay

Running costs receipts

Other current expenditure on goods and services

Other public sector pay

Subsidies

Transfers to the personal sector

Current grants to persons

Purchases of assets, goods and services

Net capital expenditure on assets

Transfers to the corporate sector

Capital grants

Payments overseas

Lending and other financial transactions

3. We have for some time been dissatisfied with the economic category analysis used in the 1988 PEWP. It was introduced three years ago when the central pay assumption was abolished and the running costs regime was introduced. Instead of a true split by type of economic activity a set of groups was introduced which were designed to:-

- i. focus on the running costs regime;
- ii. blur the distinction between capital and current expenditure in order to place the focus of interest on the new concept of public sector capital spending; and
- iii. highlight the reduction in subsidies to the corporate sector.

In 1986 and 1987 tables on the new basis were included in the departmental chapters of the PEWP and a summary table was included in Chapter 2 with a chart in Part 1. For the 1988 PEWP the economic category tables were dropped from the departmental chapters though running costs figures were retained in a footnote to the spending authority table.

4. We have/considering re-introducing a genuine economic category breakdown for the 1989 PEWP with pay as one of the categories, leaving the running cost control totals to be presented separately. The concept of public sector capital spending is now well established and we believe there is no longer any reason to obscure capital expenditure on assets by lumping it in with current expenditure on goods and services (cegs). We therefore evolved the proposal in Annex A.

5. Now that the absence of a central pay assumption and the existence of the running cost regime has been established, Pay Group and RC no longer see a need to suppress past information on overall central government pay costs. For the current and future years they would wish to see the pay figures combined with other expenditure on goods and services. (With the shift towards civil service settlements based on August, Pay Group believe the current year needs to be treated with the same caution as plan years.)

6. The presentation of historical figures could encourage readers or Select Committees either to press for the future figures to be disaggregated or to attempt their own estimate of the forward provision that was being made for pay by projecting forward the relationship between pay and cegs into the future. We are satisfied that pressure to provide disaggregated figures can be resisted on the grounds that provision for running costs and local authority expenditure is made as an aggregate and is not built up from separate pay and non-pay elements. On the scope for working out implied assumptions the pay element for central government would cover several groups of employees including the civil service, the health service and the armed forces, and would include pension payments as well as pay. It would therefore be difficult to disentangle anything meaningful and the usual arguments that we do not make central pay assumptions could be just as successfully deployed as at present.

7. If you are content that we should make the change proposed we will prepare material on this basis when setting the 1988 Survey baseline and will publish the new format in the 1989

PEWP. Although we may need to reconsider the structure of the economic category table in the light of the new planning total we will still want to highlight many of the categories now identified and do not wish to run for another year with an unhelpful, unsatisfactory, format.

8. The presentation proposed is confined to the **pay bill** and not **pay rates**. It would be possible in the section of the PEWP dealing with public sector manpower to include material, perhaps in chart form, comparing the growth of earnings for different categories of public sector pay groups with the national average. Whilst there would certainly be interest in such material, it is doubtful if there is much advantage for the Government in showing it. Both fast and slow growth for particular groups carries its presentational difficulties. We therefore recommend against this.

9. This submission has been agreed with the Pay Group and RC.

A TURNBULL



## Planning total by spending authority and economic category

Table 2.9B

£ million

	1982-83 outturn	1983-84 outturn	1984-85 outturn	1985-86 outturn	1986-87 outturn	1987-88 estimated outturn	1988-89 plans	1989-90 plans	1990-91 plans
<b>Central government</b>									
Public service pay	18,818	19,829	20,765	22,065	23,592	} 49,982	52,307	54,540	56,670
Other current expenditure on goods and services	17,592	18,685	21,101	21,984	22,757		52,307	54,540	56,670
Subsidies	2,763	2,411	2,446	2,693	2,514	2,679	2,615	2,700	2,840
Current grants	37,061	38,959	42,083	45,694	49,318	51,054	52,747	56,100	58,300
Net capital expenditure on assets	2,809	2,810	3,239	3,765	3,372	3,711	4,119	4,450	4,580
Capital grants	2,046	2,239	2,183	2,110	2,144	1,971	1,990	1,870	1,780
Lending and other financial transactions	700	104	197	84	947	322	447	530	540
<b>Total central government</b>	<b>81,788</b>	<b>85,037</b>	<b>92,014</b>	<b>98,396</b>	<b>104,644</b>	<b>109,720</b>	<b>114,225</b>	<b>120,200</b>	<b>124,700</b>
<b>Local authorities</b>									
Public service pay	17,477	18,377	19,453	20,499	22,322	} 31,453	32,601	33,680	34,690
Other current expenditure on goods and services	4,752	5,350	5,668	5,603	6,388		32,601	33,680	34,690
Subsidies	1,174	1,264	1,204	933	1,054	971	942	950	970
Current grants	2,016	3,586	3,930	4,161	4,426	4,753	5,108	5,400	5,600
Net capital expenditure on assets	2,883	3,610	4,017	3,877	3,535	3,324	3,605	3,510	3,390
Capital grants	582	1,255	1,036	687	630	759	676	660	660
Lending and other financial transactions	248	-249	-357	-396	-485	-334	-290	-220	-140
<b>Total local authorities</b>	<b>29,132</b>	<b>33,192</b>	<b>34,950</b>	<b>35,363</b>	<b>37,872</b>	<b>40,926</b>	<b>42,642</b>	<b>44,000</b>	<b>45,200</b>
<b>Nationalised industries external finance</b>									
Subsidies	1,808	1,855	2,693	2,131	1,719	1,778	1,142	1,070	1,050
Capital grants	65	43	31	220	253	261	248	180	150
Lending and other financial transactions	268	375	1,103	-642	-1,586	-1,584	-703	-1,280	-1,590
<b>Total nationalised industries external finance</b>	<b>2,140</b>	<b>2,274</b>	<b>3,827</b>	<b>1,709</b>	<b>387</b>	<b>455</b>	<b>687</b>	<b>-30</b>	<b>-390</b>
<b>Other public corporations</b>									
<b>(a) External finance</b>									
Subsidies	215	248	285	275	214	234	251	270	270
Capital grants	230	245	236	265	281	332	396	450	470
Lending and other financial transactions	98	157	277	204	180	157	186	160	150
<b>(b) Expenditure</b>									
Subsidies	214	219	211	159	157	152	154	160	160
Net capital expenditure on assets	155	136	142	25	-71	-278	-227	-70	-30
Lending and other financial transactions	5	-40	-38	-9	-10	6	-8	-10	
<b>Total other public corporations</b>	<b>918</b>	<b>966</b>	<b>1,113</b>	<b>919</b>	<b>751</b>	<b>604</b>	<b>752</b>	<b>950</b>	<b>1,020</b>
<b>Planning total by economic category</b>									
Public service pay	36,294	38,206	40,217	42,564	45,914	} 81,435	84,908	88,230	91,360
Other current expenditure on goods and services	22,344	24,034	26,769	27,587	29,145		84,908	88,230	91,360
Subsidies	6,174	5,998	6,839	6,192	5,659	5,814	5,104	5,140	5,300
Current grants	39,077	42,545	46,013	49,854	53,745	55,808	57,856	61,500	64,000
Net capital expenditure on assets	5,847	6,557	7,398	7,667	6,836	6,757	7,496	7,890	7,940
Capital grants	2,923	3,783	3,486	3,281	3,308	3,323	3,310	3,160	3,060
Lending and other financial transactions	1,320	346	1,182	-759	-953	-1,433	-368	-820	-1,030
Reserve							3,500	7,000	10,500
Privatisation proceeds	-488	-1,142	-2,132	-2,707	-4,422	-5,000	-5,000	-5,000	-5,000
Adjustment						600			
<b>Planning total</b>	<b>113,491</b>	<b>120,326</b>	<b>129,772</b>	<b>133,681</b>	<b>139,232</b>	<b>147,300</b>	<b>156,806</b>	<b>167,100</b>	<b>176,100</b>

## Plan total by spending authority and economic category

	£ million								
	1982-83 outturn	1983-84 outturn	1984-85 outturn	1985-86 outturn	1986-87 outturn	1987-88 estimated outturn	1988-89 plans	1989-90 plans	1990-91 plans
<b>Central government</b>									
Departmental running costs	8,978	10,361	10,998	11,545	12,310	12,997	13,741	13,930	14,310
Running costs receipts	-1,786	-2,059	-2,280	-2,416	-2,497	-2,744	-2,894	-2,980	-3,050
Other public service pay	12,566	13,415	14,121	15,038	16,072	17,385	18,436	19,190	19,860
Transfers to the personal sector	36,579	38,071	40,899	44,545	47,815	49,236	51,493	54,100	56,500
Purchases of assets, goods and services	19,461	19,607	22,265	23,647	23,835	26,055	27,143	28,850	30,130
Transfers to the corporate sector	4,201	3,334	3,307	3,474	4,118	3,411	3,411	3,420	3,410
Payments overseas	1,790	2,308	2,703	2,562	2,991	3,380	2,895	3,660	3,560
<b>Total central government</b>	<b>81,788</b>	<b>85,037</b>	<b>92,014</b>	<b>98,396</b>	<b>104,644</b>	<b>109,720</b>	<b>114,225</b>	<b>120,200</b>	<b>124,700</b>
<b>Local authorities</b>									
Other public service pay	17,477	18,377	19,453	20,499	22,322	24,683	26,289	27,160	27,930
Transfers to the personal sector	2,825	4,558	4,560	4,402	4,527	5,088	5,423	5,700	6,100
Purchases of assets, goods and services	7,635	8,960	9,684	9,480	9,923	10,094	9,957	10,080	10,200
Transfers to the corporate sector	1,196	1,298	1,253	983	1,100	1,062	973	990	1,010
<b>Total local authorities</b>	<b>29,132</b>	<b>33,192</b>	<b>34,950</b>	<b>35,363</b>	<b>37,872</b>	<b>40,926</b>	<b>42,642</b>	<b>44,000</b>	<b>45,200</b>
<b>Nationalised industries external finance</b>									
Grants and subsidies	1,872	1,899	2,724	2,351	1,972	2,039	1,390	1,250	1,200
Borrowing (net)	268	375	1,103	-642	-1,586	-1,584	-703	-1,280	-1,590
<b>Total nationalised industries external finance</b>	<b>2,140</b>	<b>2,274</b>	<b>3,827</b>	<b>1,709</b>	<b>387</b>	<b>455</b>	<b>687</b>	<b>-30</b>	<b>-390</b>
<b>Other public corporations</b>									
(a) External finance									
Grants and subsidies	445	493	521	540	494	567	647	710	740
Borrowing (net)	98	157	277	204	180	157	186	160	150
(b) Expenditure									
Subsidies	214	219	211	159	157	152	154	160	160
Goods and services	155	136	142	25	-71	-278	-227	-70	-30
Grants									
Net lending and other capital transactions	5	-40	-38	-9	-10	6	-8	-10	
<b>Total other public corporations</b>	<b>918</b>	<b>966</b>	<b>1,113</b>	<b>919</b>	<b>751</b>	<b>604</b>	<b>752</b>	<b>950</b>	<b>1,020</b>
<b>Planning total by economic category</b>									
Departmental running costs	8,978	10,361	10,998	11,545	12,310	12,997	13,741	13,930	14,310
Running costs receipts	-1,786	-2,059	-2,280	-2,416	-2,497	-2,744	-2,894	-2,980	-3,050
Other public service pay	30,043	31,792	33,574	35,537	38,394	42,067	44,725	46,350	47,790
Transfers to the personal sector	39,408	42,589	45,421	48,935	52,332	54,330	56,908	59,800	62,600
Purchases of assets, goods and services	27,250	28,703	32,092	33,153	33,687	35,871	36,872	38,860	40,290
Transfers to the corporate sector	8,296	7,775	9,396	7,072	6,436	5,803	6,059	5,410	5,090
Payments overseas	1,790	2,308	2,703	2,562	2,991	3,380	2,895	3,660	3,560
Reserve							3,500	7,000	10,500
Privatisation proceeds	-488	-1,142	-2,132	-2,707	-4,422	-5,000	-5,000	-5,000	-5,000
Adjustment						600			
<b>Planning total</b>	<b>113,491</b>	<b>120,326</b>	<b>129,772</b>	<b>133,681</b>	<b>139,232</b>	<b>147,300</b>	<b>156,806</b>	<b>167,100</b>	<b>176,100</b>

*Papers PSC*

FROM: CHIEF SECRETARY

DATE: 15 February 1988

CHANCELLOR

cc:

Sir Peter Middleton  
 Mr Anson  
 Dame Anne Mueller  
 PEX  
 Mr Turnbull  
 Mr Kelly  
 Mr Gilhooly  
 Mr Chivers  
 Mr Bell  
 Miss Walker  
 Mr G C White  
 Mr Deaton  
 Miss Adamson  
 Mr Stuart  
 Mr Miller

*Ch/CST agrees, but  
 you may wish to note  
 his one reservation*

*I do not think  
 this reservation is  
 intended to concern  
 the data in the  
 govt. paper.  
 see also x-15/2*

**PUBLIC EXPENDITURE WHITE PAPER: ECONOMIC CATEGORIES**

The break-down of past pay costs set out in Annex A enables a much clearer exposition of economic categories. That is welcome.

However, we will be asked for disaggregated information for current and future years and when we refuse to provide it, any number of extrapolations from historical figures can be used to 'uncover' the information and thus the 'pay assumption'. My only reservation to the changed categories is that such an extrapolation could be used as a going rate, that might make pay negotiations more difficult. Subject to that concern I would be content with the new categorisation.

PP JOHN MAJOR

*(Drafted by the Chief Secretary  
 and signed in his absence)*

FROM: A TURNBULL  
DATE: 18 FEBRUARY 1988

CHIEF SECRETARY

- cc PS/Chancellor
- PS/FST
- Mr Anson
- Dame Anne Mueller
- Mr Kemp
- Mr C W Kelly
- Miss Peirson
- Mr Gieve
- Mr Gilhooly
- Mr Saunders
- Mr Call
- Mr Tyrie

*Ch/ see also Mr Kemp's  
minute on DHSS's view of next  
moves + RIGA on press handling  
of PEWP - day.*

*mpw 18/2*

PEWP DEBATE: HEALTH

I attach a passage along the lines you requested yesterday. There are still some ends which will remain loose until the policy on the timing of Review Body awards is settled. Also the precise wording of the final "assurance" on the extent of access to the Reserve will need to be considered carefully and cleared with the Prime Minister and DHSS.

*AT*  
*6, 10, 11, 13 & 14.*  
*AT*  
*to p.m.*

A TURNBULL

## CHIEF SECRETARY'S SPEECH IN PEWP DEBATE: HEALTH

In their report, the Committee have raised some genuine issues which need to be addressed on the health service. Unlike the Opposition, who continue to fabricate a story about the NHS, that it is declining, and deteriorating and that extra money, the "new money" they love to talk about, is the answer to everything. How much "new money" seems to increase with every day that passes. In December, the Hon Member for Peckham was telling us £200 million. By January the Leader of the Opposition had upped the ante to £1.3 billion. And now the Rt Hon Member for Monklands East is bidding for £2 billion. The inflation is reminiscent of the days when they were in Government. [or: like Falstaff's assailants the number rises with each telling.]

2. The facts are, of course, rather different. Measured in all sorts of ways, the NHS is expanding, improving and becoming more efficient.

- Take indicators of health. Since 1978 these indicate major improvements in life expectancy and major reductions in deaths from a wide range of conditions.

- Take indicators in the number of treatments. There have been large rises in the numbers of

patients treated, whether as in-patients, day-patients or out-patients. Weighting these together the hospitals service has been increasing its output by about 2½ per cent a year.

- Take technological standards. Treatments are now being offered that were barely conceived of a decade ago. Efficiency, too, is rising, as the programme of cost improvements demonstrates.

- Take measures of the money spent. Total spending on the health service has risen under this Government [30] per cent faster than inflation generally, has risen as a proportion of public spending and is planned to continue rising, and has risen as a proportion of national income. [Interruption - but what about volume terms?]. I will come to that in a minute. {Gross} capital spending, helped by rising capital receipts has increased by [ ] per cent in real terms.

3. As for volume terms, let us take the simplest measure of all, the number of doctors, dentists and nurses involved in patient care. Frontline staff in hospitals have risen by 18 per cent.

4. But while on so-called volume, let us examine the position from the hospital sector, about which

there is most concern, in more detail. In the current year in 1987-88, after taking account of the additional resources announced in April and in December. HCHS current expenditure will increase by around 10 per cent, over twice the rate of inflation in the economy generally, but also faster than any measure of inflation in the health sector specifically. If one allows for this but also for the benefit of the cost improvement programme, what is referred to in the report of the Social Services Committee as "the margin available for service development" should increase by around 3 per cent, comfortably ahead of even the most pessimistic estimate of demographic pressures. It rapidly becomes apparent that the difficulties experienced by the health service, and of hospitals in particular, are not simply questions of funding.

5. The Government has recognised that there are important issues to be looked at. For it is clear that, however much money the taxpayer puts in - and, I repeat, the Government has put in a very great deal - there will always be unmet demands in the present system. It is now 40 years since the NHS was set up. The world has changed a lot. People are no longer so ready to do as they are told, to accept rationing and to accept queues. They want freedom of choice and greater control over their own lives. We must consider whether there are other ways of delivering health care which meet more closely these aspirations, while

preserving the principle that a high standards of health care must be available for all regardless of means.

6. That is why we have set in hand a ~~long-term~~ <sup>(in same)</sup> review of the management and funding of health care in this country. ~~But let me make one thing clear - it is a review which is long-term in the sense of seeking enduring solutions; long-term does not refer to the time the review will take. Quite the opposite. We recognise the need to come up with proposals as a matter of urgency. I can therefore tell the House that it is our intention that the first results of the review will be reported to it before the summer recess.~~ <sup>outcome</sup> <sup>later this year.</sup>

7. As well as these fundamental questions, I recognise that there are pressing short-term issues, particularly the recommendations on the Review Bodies and the consequent decisions on funding.

8. Those who have thought about these questions carefully acknowledge that no government can, or should, commit itself in advance either to accepting a recommendation of a Review Body in full, or to funding the resulting award in full. To do so would be to abdicate its responsibility for control of public finance. This point was put to me with great clarity at the hearing of the TCSC by my RHF for Wolverhampton



South West.

9. But equally it has been put to me that the combination of this principle and the current timetable, while protecting the Government's position, leaves health authorities subject to an unacceptable degree of uncertainty. There have, for example, been occasions in the past when the decisions on the Review Bodies have not been announced until two or three months after the start of the financial year, and even longer after the budgets for those years had to be finalised.

10. To meet these concerns, the Government has decided that, in future years, the ~~cycle of providing evidence~~<sup>time</sup> will be brought forward, so that ~~(the Review Bodies~~<sup>all)</sup> [all or those relevant to the NHS?] will be able to submit their reports in time for the Government to announce its decisions if possible by the end of January, but by mid-February at the latest. This will mean, <sup>in particular,</sup> that the outcome will be available to health service treasurers before they finalise their budgets for the coming year.

11. We cannot, of course, bring this year's reviews onto this timetable and so some degree of uncertainty will inevitably remain. The Government will, however, try to minimise it. I ~~can tell the House that~~<sup>a</sup> The

Government will do its utmost to ensure that decisions on the Review Bodies, <sup>are</sup> ~~are~~ announced no later than <sup>the</sup> end of April.

12. This will not be easy as the Review Body for nurses is this year considering a number of important and complex issues such as the new clinical grading structure which seeks to improve the career prospects for nurses and ensure that nurses are drawn into those very special skills which have been in short supply. It will also be looking at special pay differentials needed to cope with localised recruitment difficulties. *But the*

13. Next, while I cannot for the reasons I have given, sign the blank cheque which the Opposition are demanding, I can give an assurance that in deciding the extent of the additional money that will be made available from the Reserve ~~shall recognise~~ <sup>full account will be taken of the fact</sup> that the clinical grading review creates an exceptional set of circumstances this year.

14. In short, the position is:

- first, a fundamental review of the management and financing of health care, with the first results to be presented to the House <sup>late this year;</sup> ~~before the summer recess;~~

- secondly, the timetable for the Review Body reports will, in future years, be brought forward so that the Government can announce its decisions before health authorities finalise their budgets;

- thirdly, an assurance that this year the Government will announce its decisions on the health Review Body recommendations and the financing of them no later than [                    ];

2  
- finally, an assurance that we shall recognise the exceptional nature of this year's review of nurses' pay in deciding the extent of additional funding.

15. What are the messages from this for the health service? First, for managers, decisions are now only a matter of weeks away. It would be premature and unacceptable to put into effect service reductions which are in any way dependent upon the Government's decisions. Secondly, the concerns of nurses, over pay generally and over the structure of pay and indeed over career prospects, are being comprehensively and speedily addressed.

16. So there is a final conclusion. The strikes in the health service, and the strikes thinly disguised as protest action, are unnecessary and are damaging

to the very service they purport to advance. If, after the assurances I have given today, they continue, one must draw the conclusion that the motives of such action do not lie in either genuine concern over the health service or a genuine concern over the pay and conditions of those that work within it.

CONFIDENTIAL

FROM: R I G ALLEN  
DATE: 18 FEBRUARY 1988

CHIEF SECRETARY

cc PPS  
Mr Anson  
Mr Turnbull  
Mr Call

*Option 1 looks best.*

PEWP DEBATE: STATEMENT ON NURSES PAY

You asked for my advice on press handling.

2. There are various options.

3. First, a low key presentation. IDT would hand round copies of the relevant sections of your speech to the Press Lobby. We would also answer questions, as per usual. There would be no press release (very unusual for a speech in a Commons Debate, and not really necessary), no presentation to Lobby correspondents by yourself and no TV/Radio interviews.

4. Second, an intermediate approach. This would follow the lines of paragraph 3 above but, in addition, you could do either a full Lobby briefing or a briefing of selected journalists (including, perhaps, Oakley, Jones, Riddell, Cole and Brunson) after your speech.

*Way over the top*  
5. Third, the works. This might include all of paragraph 4 above and, in addition, a selection of TV and radio interviews.

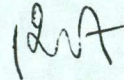
✓ 6. I would advise strongly against the third approach. It would be extremely difficult to square with the Budget purdah rules. And a high profile approach hardly seems consistent with the "nods and winks" formula underlying the proposed statement on funding the Review Body award.

7. So I think the choice lies between the first and second options. If you decide to go down the second of these roads, I think there is a lot to be said for doing the full Lobby rather than targeting selected journalists. The latter approach would be seen (by the journalists) as discriminatory, and a full Lobby

would at least give you an opportunity to nail all the hostile questions. Bernard Ingham will in any case have to handle the full Lobby and might be placed in a difficult position. If you do decide to hold a Lobby - which would be perfectly consistent with your new role as harmoniser of Government publicity - it would be courteous to ensure that a DHSS press officer was present. Doing a Lobby would still be a little hard to reconcile with the Budget purdah rules though, admittedly, less so than a full-blown media exposure.

8. Taking all things into consideration, my slight preference would be to rest on the first option, and to see how the press coverage turns out. If things go badly, we could consider wheeling in a few of the Lobby correspondents to put matters straight.

9. I have deliberately not discussed all this with Bernard Ingham but it might well be worth your while doing so, perhaps after this morning's Cabinet.



R I G ALLEN

FROM: MARK CALL  
DATE: 19 FEBRUARY 1988

CHIEF SECRETARY

- Chancellor
- Financial Secretary
- Paymaster General
- Economic Secretary
- Mr Anson
- Mr Gilmore
- Mr Hawtin
- Mr Turnbull
- Mr L Harris
- Mr Culpin
- Mr Gieve
- Mr Pickford
- Mr Hudson

PEWP DEBATE: NHS

In 1978 the RCN pressed the then Labour Government to allocate increased public expenditure in the Budget. I, for one, hadn't realised that they got it (see attachments). Nor do I recall hearing the point made recently by the Opposition, but it may come up in the PEWP debate. Failing that it may surface in the Budget Speech debate when we are making the point that Budgets are not about public expenditure. If, eventually, this point is raised we could respond by saying that, of course, inflation was higher then. The Opposition would answer by saying that money was not the crisis finance needed now, but for improvements to services for patients. Or in 1988-speak "New Money". Is it worth establishing whether any improvement in specific services mentioned in the 1978 Budget Speech were actually achieved?

rc

MARK CALL

ENCS

*Handwritten notes in red ink:*

Lab program includes R & B Budgets, as I recall. ~~This one~~

Very bright about financial situation, who lead to a massive cutback in health education & hospitals.

2. That point of course, was a last minute change before the Budget, & I don't recall the point being made.

[Mr. Healey.]

The Government are also making available further sums in 1978-79 to expand other programmes which are of particular social and economic importance at this time. Within the social services we are giving on this occasion the highest priority to health and education. There will be an allocation of £50 million in 1978-79 for the Health Service in the United Kingdom for specific improvements in services for patients. These will vary from place to place but there will be, for example, extra resources for the full opening of newly completed hospitals, facilities to cut waiting lists, more staff to help care for the elderly and handicapped, and over 400 extra kidney machines.



# Ambulance case doubts during minister's visit

By Penny Symon

The accident and emergency department at King's College Hospital, in south London, almost had to close twice to ambulances yesterday while Mr Roland Moyle, Minister of State for Health and Social Security, was paying an official visit to the hospital.

The hospital, in common with most of the 59 in Greater London with accident and emergency departments, can no longer keep that department open full time to ambulance cases because of a shortage of beds or nursing staff.

After seeing the department, built in 1911 for 10,000 patients a year, and which, in 1977, coped with 95,000, Mr Moyle said he was concerned about the cramped conditions in which staff had to work as well as the inability to run it as a full-time service.

"The accident and emergency department is inadequate

and the staff are coping in very difficult conditions", he said. "I am concerned about the closure of any accident and emergency department to the ambulance service. As a matter of urgency I have asked hospital representatives and health authority personnel to get together to plan closures so that they do not have it happening at two hospitals near each other, creating a heavy demand on one, and to try to avoid a situation where ambulance men have to be told after turning up at the hospital that it is closed to them."

Mr Moyle was presented with a petition signed by more than seven thousand local people concerned about closures.

The improvement of the accident and emergency department at King's College Hospital, he said, was a top priority, and he hoped that his visit had reassured people that the hospital was not a candidate for closure.

# Supervisors' dispute curbs hospital admissions

By Christopher Thomas

Action by hospital maintenance supervisors began to bite yesterday as hospitals throughout Britain stopped non-emergency admissions.

Talks aimed at ending the dispute between unions and Mr David Ennals, Secretary of State for Social Services, broke down last night and a date was fixed for another meeting. If the dispute continues hospital services might go to a critical state because laundry services would be reduced to a fraction of normal strength.

Some hospitals might be forced to close as early as next week. The action began on Monday and reports yesterday indicated that it was having a rapidly worsening impact. Thirty hospitals in West York-

shire and Humberside restricted routine admissions yesterday. The regional health authorities and linen supplies had been severely reduced because of a breakdown in laundry machinery.

All non-emergency admissions have been stopped within Torbay health district. In North-east many hospitals reported yesterday that they would accept only emergency cases.

The unions maintain about 800 maintenance supervisors at the lower rate pay, but that the new rate super grade as a result of the dispute. Miss Ennals said she was aware of the impact involving a total of 100 people.

21 - SEPTEMBER 1978

1 - August - 1978

# Minister told of threat to nursing standards

The standard of nursing care in the National Health Service is being threatened by lack of money, the Royal College of Nursing has told Mr Ennals, Secretary of State.

Miss Catherine Hall, the general secretary, said in a letter to the minister that a significant increase in funds for the health service in next month's Budget was essential. Resources were being stretched to breaking point, and the college council considered that instances it had provided would become more frequent.

Miss Hall's warning comes at a time when some hospitals and area health authorities have said it is impossible to employ the staff they need.

The RCN has conducted a survey in the four Thames hospital regions, which have had difficulties.

Miss Hall says the deterioration in the past two years sprang from increasing pressures on all health services and the inability to find the necessary money. Fewer staff were being expected to cope with increasing demand.

The RCN council was demanding immediate action. The present waiting list for hospital admissions comprises 591,000 names.

# Nurses heckle Mr Ennals over NHS 'complacency'

Nurses heckled and once shouted down Mr David Ennals, Secretary of State for Social Services, when he addressed the Royal College of Nursing congress in Harrogate yesterday.

The outburst came when he said he did not know whether it was a district nursing officer's "prejudice or political beliefs" that made her pessimistic over the future of the National Health Service.

Mr Ennals said health service growth this year was higher than the average growth during its 30-year lifetime. "I think we are on the upturn", he added.

Miss Hope Trenchard, a district nursing officer from Wandsworth, London, said she was horrified by Mr Ennals's complacency.

To tumultuous applause she said there was a "crisis of manpower, finance and morale" in the service. "The future looks up better", she said.

Mr Ennals had told the congress that £50m would be spent

to provide 9,000 more jobs in the service.

Earlier Miss Eirlys Rees, president of the college, told the congress that demands being placed on nurses in hospitals that are short of money are becoming intolerable. The college was becoming "increasingly concerned" about the ability of nurses to maintain adequate standards of care, she said.

The case of King's College Hospital, London, where nurses recently said patients had died because of staff shortages, was a "sobering, devastating and frightening example. I suspect it is only the tip of the iceberg", Miss Rees said.

"I can tell the secretary of state what is wrong with the health service. It is basically suffering from a shortage of cash with which to train and employ nurses and other personnel."

Those involved in the service were "at breaking point. Discontent and disillusionment is bred as criticism becomes rife."

plus a change!

6 JUNE 1978

6 March 1978

1978

Table 1. The main Budget measures

**Tax proposals**

- Lower rate of tax of 25% on first £750 of taxable income. Basic rate remains unchanged at 34%. The new lower rate will be the maximum rate of tax for some 4 million people. full year cost £1,569 million
- Increase in personal allowances
  - Single/Wife's earnings allowance ..... up £40 to £985
  - Married allowance ..... up £80 to £1,535
  - Additional personal allowance ..... up £40 to £550
  - Single age allowance ..... up £50 to £1,300
  - Married age allowance ..... up £100 to £2,075cost £572 million

*These are additional to the 12% increase in allowances made last October.*
- Threshold for higher rate tax (40%) raised to £7,000 and thresholds for successive higher rates also raised. Some 450,000 people who would otherwise have paid tax at higher rate will not have to do so. cost £206 million
- Thresholds for investment income surcharge raised, with higher exemption limit for over-65s. cost £31 million
- Net effect of other tax changes. cost £207 million

**All proposed tax reliefs:** total full year cost £2,585 million

**Indirect tax**

NO INCREASE IN INDIRECT TAXES except for supplementary duty on higher tar cigarettes for health reasons.

**Pensions**

Increased next November: Single person ..... up £2 to £19.50  
 Married couple ..... up £3.20 to £31.20

Represent 4 per cent increase in real terms: with it the real value of pensions will have risen by about 20 per cent since October 1973. Short-term social security benefits will also be increased in November.

1978/79 cost £500 million\*

\* Provided for in existing public expenditure plans

**Child benefit**

Increased next November by 70p to £3 for all children, rising to £4 next April. Premium for first child of one parent families will be doubled from £1 to £2 in November.

1978/79 cost £165 million\*

\* Provided for by drawing on the planned contingency reserve for public expenditure this year

**Other public expenditure**

Increased funds

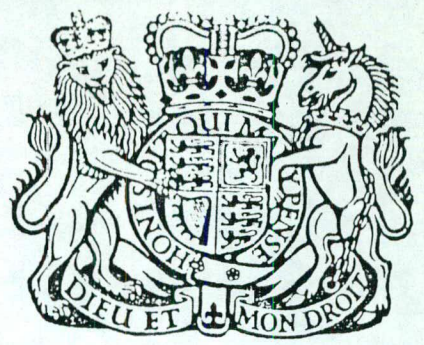
£50 million for the National Health Service

- £110½ million for education, including £62 million for school meals
- £3 million for law and order
- £2 million for sea defences
- £20 million for environmental services
- £17 million for energy conservation
- £13 million for areas affected by steel closures

1978/79 cost £215½ million\*

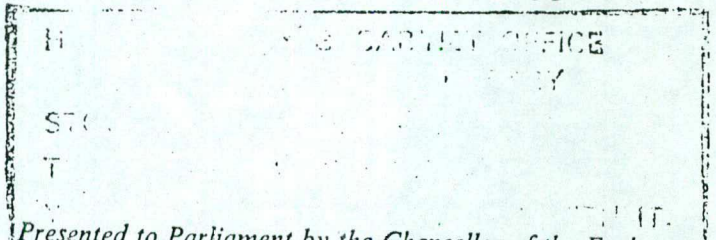
Plus £156 million for employment measures announced in March, and up to £20 million on other items previously charged.\*

\* Provided for by drawing on the planned contingency reserve for public expenditure this year



# THE GOVERNMENT'S EXPENDITURE PLANS

1979-80 to 1982-83



*Presented to Parliament by the Chancellor of the Exchequer  
by Command of Her Majesty  
January 1979*

LONDON  
HER MAJESTY'S STATIONERY OFFICE  
£4.25 net

Cmnd 7439

central services was more than 99 per cent of the level indicated by the expenditure plans in Cmnd 6721. The allowance for forecast increases in pay and prices built into the cash limits for these services covered the increases actually experienced. A little over half of the underspend was on current expenditure by health authorities. Individual health authorities and boards are authorised to carry forward unspent allocations into the following year, up to a fixed proportion. About two-thirds of the cash unused by them in 1977-78 is covered by these arrangements. For 1978-79 indications are that the allowances for forecast increases in pay and prices will be less than the increases actually experienced. Expenditure in 1977-78 on the family practitioner and welfare food services—which are demand-determined and are not subject to cash limits—was about 1½ per cent less than allowed for because demand did not reach the levels forecast.

6. For the personal social services provided by local authorities, current expenditure in England and Wales during 1977-78 was about 1½ per cent, and in Scotland about 4 per cent, below the levels planned in Cmnd 6721. Net current expenditure on residential services for the elderly, younger physically handicapped and children was lower than estimated, partly due to increases in real terms in income from charges. In Scotland, much of the underspend was due to difficulties experienced by the authorities in recruiting professional staff. Expenditure on accommodation for the mentally disordered, day nurseries and boarding out was higher than estimated. In 1978-79 expenditure is expected to be about ½ per cent below the level planned in Cmnd 7049 for England and Wales (adjusted for the transfers mentioned in paragraph 3). The corresponding figure for Scotland is 2 per cent.

7. Table 2.11 indicates planned expenditure for 1978-79 and subsequent years. The table below compares outturn and estimated expenditure for 1977-78 and 1978-79 respectively with the plans shown in Cmnd 6721 and Cmnd 7049. Estimated expenditure in 1978-79 is based on interim information and is therefore provisional. The principal changes shown in the table are for additional expenditure on construction in 1977-78, and the extra allocation for the National Health Service in 1978-79 announced in the April 1978 Budget.

	Expenditure in 1977-78 and 1978-79 (Great Britain)			£ million at 1978 survey prices		
	1977-78		Estimated outturn	1978-79		Estimated expenditure
	Cmnd 6721 plans	Subsequent additions		Cmnd 7049 plans	Subsequent additions	
Hospital and community health services ...	5,045	32	5,058	5,186	60	5,203
Family practitioner services ...	1,429	—	1,403	1,442	1	1,459
Personal social services:						
capital ...	61	5	64	68	5	70
current ...	1,113	4	1,092	1,151	—	1,142
Other services ...	334	4	298	329	7	335
<b>Total ...</b>	<b>7,982</b>	<b>45</b>	<b>7,914</b>	<b>8,176</b>	<b>73</b>	<b>8,209</b>



*mp*

from: Zoë EVEREST-PHILLIPS  
date: 22 February 1988

MR ACS ALLAN

*21 work  
quite do*

PEWP DEBATE SPEECH

I attach a preliminary draft of comments on health for the Chief Secretary's PEWP speech.

Paragraphs 12-15 are introductory; paragraphs 16-30 are relevant to our proposals. The summary in paragraph 27 is particularly relevant.

The draft still needs to be precisised and refined, but the substance is there. It is paragraph 27 which particularly needs clearing with the Prime Minister.

*sum 16, 22, 23, 26, 27*

*Zoë Everest-Phillips*

ZOË EVEREST-PHILLIPS

12 In ~~this~~<sup>their</sup> report, the Select Committee have raised some genuine issues which need to be addressed on the health service and I shall turn directly and in detail to these in a moment. But let me first put the position of the NHS in proper context. Measured in all sorts of ways, the NHS is expanding, improving and becoming more efficient.

- indicators of health show that in recent years there have been significant improvements in life expectancy and large reductions in deaths from a wide range of conditions.
- indicators ~~in~~<sup>of</sup> the number of treatments show there have been large rises in the numbers of patients treated, whether as in-patients, day-patients or out-patients. Weighting these together the hospital~~s~~ service has been increasing its output by about 2½ per cent a year.
- In technological standards, treatments are now being offered that were barely conceived of a decade ago. Efficiency, too is rising, as the programme of cost improvements has clearly demonstrated. Little of this would ~~not~~ have occurred if increasing resources had not been provided under whatever measure of inputs one uses.
- But increasing resources have, of course, been provided. Total spending on the health service has risen [30] per cent faster than inflation generally. It has risen as a proportion of public spending and it is planned to continue rising, it has risen as a proportion of national income. And gross capital spending, helped by rising capital receipts has increased by [ ] per cent in real terms. It is, of course,

legitimate to argue for more but what has been provided cannot be denied.

13 As for volume terms, let us take the simplest measure of all, the number of doctors, dentists and nurses involved in patient care. Frontline staff in hospitals have risen by nearly one-fifth since 1979 [18 per cent].

14 But while on so-called volume, let us examine the position from the hospital sector, about which there is most concern, in more detail. In the current year ,1987-88, after taking account of the additional resources announced in April and in December, HCHS current expenditure will increase by around 10 per cent, over twice the rate of inflation in the economy generally, but also faster than any measure of inflation in the health sector specifically. If one allows for this but also for the benefit of the cost improvement programme, what is referred to in the report of the Social Services Committee as "the margin available for service development" should increase by around 3 per cent, comfortably ahead of even the most pessimistic estimate of demographic pressures. It rapidly becomes self evident that the difficulties experienced by the health service, and of hospitals in particular, are not simply questions of funding. And funding alone will not solve them.

15 The Government has recognised that there are important issues to be examined. We must consider whether there are other ways of delivering health care which meet people's expectations and aspirations, while preserving the principle that a high standard of health care must be available for all regardless of means. That principle is not at risk.

16 That is why we have set in hand a fundamental review of the management and funding of health care in this country. But let me make one thing clear.

Although the Review is fundamental in the sense of seeking enduring solutions we recognise the need to come up with proposals as a matter of urgency. I can therefore tell the House that it is our intention that the outcome of the Review will be reported to it later in the year.

17 As well as these fundamental questions, I recognise that there are pressing short-term issues, particularly the recommendations on the Review Bodies and the consequent decisions on funding.

18 Those who have thought carefully about these questions acknowledge that no government can, or should, commit itself in advance to accepting unreservedly a recommendation of a Review Body. Nor should it commit itself to funding the resulting award in full. To do so would be to abdicate its responsibility for control of public finance. [This point was put to me with great clarity at the hearing of the TCSC by my HF for Wolverhampton South West.]

19 But equally I recognise that the combination of this principle and the current Review Body timetable, leaves health authorities subject to a degree of financial uncertainty that is unacceptable. [There have, for example, been occasions in the past when the decisions on the Review Bodies have not been announced until two or three months after the start of the financial year, and even longer after the budgets for those years had to be finalised. That is no longer satisfactory.]

20 There are three potential ways to eliminate this problem. The Government could undertake to meet the cost of the Review Body recommendations in advance

whatever they may be. We cannot and will not do that for the reasons I have set out.

21 We could undertake to meet that portion of the Review Body recommendations that we accept. But that opens the fear that Government would simply cut back the recommendations. It would offer re-assurance to Health Service Treasurers at the cost of undermining the Review Body. That, too, is not attractive.

22 There is a third way to remove uncertainty for health authorities and we propose to adopt it. The Government has decided that, in future years, the timing will be brought forward, so that all the Review Bodies ~~is~~ will be able to submit their reports in time for the Government to announce its decisions by the end of January, if possible or by mid-February at the latest. The Review Bodies in question are Nurses and Midwives Pay Review Body, Doctors Dentists Pay Review Body and Armed Forces Pay Review Body and the Top Salaries Review Body. This will mean in particular, that the outcome will be available to health service treasurers before they finalise their budgets for the coming year.

23 We cannot, of course, bring this year's reviews onto this timetable and so some degree of uncertainty will inevitably remain. But we do propose to try to minimise it. The Government will do its utmost to ensure that decisions on the Review Bodies Awards are announced no later than the end of April.

24 ~~There~~ <sup>This</sup> will not be easy, as the Review Body for nurses is this year considering a number of important and complex issues including a new clinical grading structure which seeks to improve the career prospects for nurses and ensure that ~~they~~ are drawn into those very special skills which have been in short supply. This meets precisely the point that so many health



service professionals have drawn attention to in recent weeks. The Review Body will also be looking at special pay differentials needed to cope with localised recruitment difficulties.

25 When the Government has received the report there will be two issues - implementation and funding. On implementation, I can repeat the undertaking given by my RHF's in the past that the Government intend to implement Review Body recommendations unless there are clear and compelling reasons to vary them.

26 Next, while I cannot ~~for the reasons I have given,~~ sign a blank cheque on funding I can give an assurance that in deciding the extent of the additional money that will be made available from the Reserve full account will be taken of the fact that the clinical grading review creates an exceptional set of circumstances this year.

27 In short, the position is:

- 4 - first, a fundamental review of the management and financing of health care, with the outcome presented to the House later this year;
- 1 - secondly, the timetable for the Review Body reports will, in future years, be brought forward so that the Government can announce its decisions before health authorities finalise their budgets;
- 2 - thirdly, an assurance that this year the Government will announce its decisions on the Health Review Body recommendations and the financing of them no later than the end of April;
- 3 - finally, an assurance that we shall recognise the exceptional nature of this year's review

of nurses' pay in deciding the extent of additional funding. [that will be met from the Reserve].

28 The messages from this for the health service are clear: First, for managers, decisions on pay are now only a matter of weeks away. It would be premature and unacceptable to put into effect service reductions until they know the decisions which the Government announces on the Review Body reports. Secondly, the three concerns of nurses, over the level of their pay; the structure of their pay and over their career prospects, are all being comprehensively and speedily addressed.

29 In the light of these assurances there is one further point I wish to add. In recent weeks 98 per cent of nurses have declined to take any protest action. Only a minority have done so. I hope that minority will now realise that the strikes in the health service, and the strikes thinly disguised as protest action, are unnecessary and damaging to the very service they purport to advance. If, after the assurance I have given today, they continue I believe that both public and patients will draw the conclusion that the motives of such action do not lie in either genuine concern over the health service or a genuine concern over the pay and conditions of those who work within it.

30 Nor will such action influence the Government. We will proceed as I have described today and I reiterate the message I first gave when the White Paper was published - there will be no public expenditure package in the Budget.



FROM: JILL RUTTER  
DATE: 23 February 1988

PRINCIPAL PRIVATE SECRETARY

CC:  
PS/Financial Secretary

CHIEF SECRETARY'S SPEECH FOR THE PEWP DEBATE

... I attach the version which the Chief Secretary will be seeing tonight. This reflects comments from Messrs Turnbull, Saunders and Gilhooly. The passage on nurses pay is identical to the one which I circulated under cover of my letter to Paul Gray earlier.

2 If the Chief Secretary makes substantial amendments overnight I will circulate a new version tomorrow.

\* \* \*

Thanks.  
A good speech.  
I have written some comments:  
① I had written some comments on the planned program increase for the NHS. But by the time I saw the speech, the real growth was a higher rate of inflation. I have written some comments on the speech. I have written some comments on the speech. I have written some comments on the speech.

*Jill Rutter*

JILL RUTTER  
Private Secretary

sent to  
ps/CST  
in manuscript  
m.p.v. 24/2

② Now we have a real share of 16, 20, & 32. I have written some comments on the speech. I have written some comments on the speech. I have written some comments on the speech.

CHIEF SECRETARY'S SPEECH  
PUBLIC EXPENDITURE WHITE PAPER DEBATE  
ON WEDNESDAY, 24 FEBRUARY

The broad lines of policy on public expenditure were announced last November in the Autumn Statement and were debated last month. That debate enabled the House to consider the trends in public expenditure and the way in which priorities had changed between programmes.

2 The Public Expenditure White paper before us today builds on that and provides a more comprehensive account of

- what Government is spending
- the service it is delivering

and its efforts to secure greater value for money.

3 What the White Paper does not provide is a new statement of policy. I suspect that was not fully understood last month when many people affected to be disappointed that it did not contain fresh expenditure plans. Frankly, it would have been extra-ordinary if it had done so only weeks after our plans were announced in the Autumn Statement.

4 The Public Finance cycle is quite clear. It begins with the Budget and the MTFs in the Spring . That sets out our taxation and borrowing policies. It continues with the Public Expenditure Survey to determine future spending plans. These are set out in broad terms in the Autumn Statement. It concludes with the Public Expenditure White Paper, followed by this debate which provides an opportunity to consider the Government's management of the taxpayers money. We are helped in this by the report from the Treasury and Civil Service Committee which makes a number of interesting observations and recommendations. The Government will respond to these as soon as possible and I shall refer to a number of them shortly.

5 It is crystal clear that the strength of the public finances has created the conditions for a sound economy, and the soundness of the economy has fed back to the public finances. The crisis so lovingly predicted by RHG Sparkbrook has failed to arrive yet again. Like Bunter's Postal Order it is forever in the post. Rising real incomes and corporate profits boost the revenue side of the account. But a growing economy brings benefits for expenditure as well. Nationalised industries are producing better results: for example, the rising profits at British Steel and increasing passenger revenues of British Rail. Falling unemployment is reducing the growth of social security spending; a buoyant economy is enabling central Government, local authorities and new towns to step up their disposals of surplus assets. These are changes few would have predicted a few years ago.

6 The lower borrowing that has resulted from these changes is reducing the costs of servicing the national debt. Debt interest has now fallen from its peak of 5¼ per cent of GDP in 1981-82 to around 4¼ per cent this year. We expect this to fall still further and this will enable us to spend more on priority programmes. Let me put this in context. If the PSBR had remained at its 1978-79 share of GDP, cumulative borrowing would by now be around £80 billion higher with increased debt servicing costs of over £8 billion a year. That would be the equivalent of an extra 7p on the standard rate of income tax just to finance the debt. None of that extra revenue would have gone on Education or Social Security or Health. It would all have gone to our creditors. That would be the result of the policies the Opposition still cling to with such hide-bound affection.

7 We are in the fortunate position that we have dumped these policies. That is why our economic performance is so strong, but it will only stay that way if we continue with the policies which got us to this point in the first place. We propose to do that.

8 In the Survey of public spending conducted last year, we were able to make very large additions to programmes while, thanks to a growing economy, still reducing public spending as a proportion of national income.

X 9 We have added £4½ billion to the planned programme expenditure in 1988-89 and £6 billion in 1989-90, [while still keeping expenditure in aggregate growing by only 1¼ per cent a year.]

Y 10 As a proportion of national income, public spending in 1987-88 will be around 42 per cent, compared with the 43 per cent we inherited. That is a modest reduction when set against the draconian cuts the Opposition are so fond of claiming we have made. Civilisation does not end with a 1 per cent reduction in public spending as a proportion of GDP over 8 years. Nor will it end with the further 1 per cent reduction we aim to achieve by 1990-91. But to see this in perspective one should also remember that under the Labour Government of the 1960s and Governments of both parties in the 1970s public spending took an ever increasing share of national income. It was growing and is now falling. And so it should. And we plan for it to continue to do so.

11 The plans contained in this White Paper show that within the constraint we have set ourselves, we have been able to strengthen priority services such as health, law and order, education, defence and inner cities.

12 In their report, the Select Committee have raised some genuine issues which need to be addressed on the health service and I shall respond to these. But let me first put the position in context. Measured in all sorts of ways, the NHS is expanding, improving and becoming more efficient.

- indicators of health show significant improvements in life expectancy in recent years and large reductions in deaths from a wide range of conditions.
- indicators of the number of treatments show large increases in patients treated, whether as in-patients, day-patients or out-patients. Since 1978 the output of the hospitals service has increased by over 20 per cent or about 2½ per cent a year.
- Moreover, treatments are now being widely offered that barely existed a decade ago. Efficiency, too is rising, as the programme of cost improvements has clearly demonstrated. Little of this would have occurred if the Government had not provided increasing resources.



<sup>W/S</sup>  
- But ~~they~~ have. Total spending on the health service has risen by 32 per cent more than inflation. It has risen too as a proportion of public spending and will continue to do so. It has risen as a proportion of national income. And gross capital spending, - cut so savagely by the Opposition when in Government - has increased by 42 per cent in real terms helped partly by rising capital receipts.

8  
13 In the crucial HCHS <sup>SPM out</sup> sector of the NHS, current expenditure will have increased in 1987-88 by around 10 per cent, <sup>low</sup> ~~over~~ ~~twice~~ <sup>three</sup> the rate of inflation in the economy generally, and faster than any measure of <sup>rising prices</sup> ~~inflation~~ in the health sector specifically. If one allows for this and also for the benefit of the cost improvement programme, "the margin available for service development" will have increased by nearly 3 per cent, comfortably ahead of even the most pessimistic estimate of demographic pressures. It rapidly becomes self evident that current difficulties faced in the health service are not simply questions of funding. And funding alone will not solve them.

14 The Government has recognised that there are important issues to be examined. We must consider whether there are other ways of delivering health care which meet people's expectations. In doing so we propose to preserve the principle that a high standard of health care must be available for all regardless of means. That principle is not at risk.

15 That is why we have set in hand a fundamental review of the management and funding of health care in this country.

16 But as well as these fundamental issues the Select Committee was particularly concerned at the uncertainty faced by Health Authorities who have to plan their budgets before the Review Body recommendations are finalised and before consequent decisions on funding are known.

17 I sympathise with this concern and with the dilemma facing Health Authorities. The Government have examined this problem to see if there is a way of resolving it without abdicating responsibility for the control of public expenditure. We are not prepared to commit ourselves in advance to accepting Review Body recommendations unreservedly or to funding resulting awards in full. Nor would any Government. Those decisions can only be made when the recommendations have been studied.

*What we can do will be is*

18 However, [we have found a way to] remove future uncertainty for Health Authorities [and we propose to adopt it.] We have decided in future years to bring forward the time-table for the Review Body reports so that decisions can be made on them well before the beginning of the financial year. We hope Review Bodies will be able to submit their reports in time for decisions on them by the end of January or, at the latest, by mid-February.

19 This new timetable will affect the Reports of all the Review Bodies - the Nurses and Midwives Pay Review Body, the Doctors and Dentists Pay Review Body, the Armed Forces Pay Review Body and the Top Salaries Review Body. It will mean, in particular, that the outcome of salary awards will be known to health service treasurers before they finalise their budgets for the coming year. I hope and believe this will remove a great deal of uncertainty for them.

20 We cannot, at this late stage, bring this year's reports on to this timetable but we do propose to try and minimise the period of uncertainty. Once the Health Review Body reports are received this year we shall consider them speedily and hope to announce our decisions on implementation and funding no later than the end of April.

*try & use  
James G. Wain's  
cloud of PM  
was by PM  
© PMs  
PMs yesterday -  
with John  
say (as my name is  
PM 8, ...)*

21 I do not wish to press the Review Body for Nurses to hasten its Report because this year, as the House knows,, it is considering a number of important and complex issues including a new clinical grading structure which seeks to improve the career prospects for nurses and reward skill and responsibility. This meets precisely the point that so many health service professionals have drawn attention to in recent weeks. The Review Body will also be looking at special pay differentials needed to cope with localised recruitment difficulties.

22 In short, the position is:

- first, we are carrying out a fundamental review of the management and financing of health care.
  
- secondly, the timetable for the Review Body reports will, in future years, be brought forward so that the Government can announce its decisions before health authorities finalise their budgets;

- thirdly, we hope that this year we will be able to announce our decisions on the Health Review Body recommendations and the financing of them no later than the end of April;

23 Decisions on pay in the Health Service are therefore, only a matter of weeks away. It would be premature and unacceptable, therefore, to put into effect service reductions on the grounds of uncertainty. Moreover the three concerns of nurses, over the level of their pay; the structure of their pay and over their career prospects, are all being comprehensively and speedily addressed.

24 In the light of these assurances there is one further point I wish to add. In recent weeks only a very small minority of nurses have decided to take part in industrial action. I hope that minority will now realise that the strikes in the health service are unnecessary and damaging to the very service they purport to advance. If they continue I believe that both public and patients will draw the conclusion that the motives of such action cannot lie in genuine concern over the health service or the pay and conditions of those who work within it.

25 But if such action does continue it will not influence the Government. We will proceed as I have

described today and I reiterate the message I first gave when the White Paper was published - there will be no public expenditure package in the Budget.

26 In their Report, the TCSC drew attention to a number of other points to which I wish briefly to refer. They recognised that the Autumn Statement is now the vehicle for announcing the main results of the Survey and that as a result, the White Paper has, to some extent, been upstaged. The Committee's suggestion that much of the material from Volume I be incorporated into the Autumn Statement is attractive and has a great deal to commend it. We will consider that very carefully and sympathetically despite the obvious technical problems that would need to be overcome.

27 The Committee also suggested that Volume II - now over 400 pages - should be sold as separate departmental booklets, as the Estimates are now. We will consider this proposal sympathetically, along with the corresponding proposals which were made by the Public Accounts Committee last year.

28 I sense that opinion is running in favour of change. The Treasury is already investigating a number of possibilities, and as soon as this work is complete we will put proposals to Parliament.

29 But if we change the way information is reported, there will be consequences for the way it is debated. One possibility, would be for the broad lines of expenditure policy to be debated as part of the Autumn Statement; for Select Committees to consider the departmental booklets and for one or more of their reports to be chosen for debate in May or June. All this will need further consideration.

30 The TCSC invited me in their report to set out the public expenditure effect of the agreement that has been reached on the future financing of the European Community.

31 This agreement concludes a far-reaching review of the Community's finances and policies. It provides effective and legally binding controls on spending, effective measures to reduce agricultural surpluses, and the preservation of the UK's abatement as agreed at Fontainebleau. [And no oils and fats tax].

32 Insofar as domestic public expenditure is concerned, the agreement is likely to increase our net payments to Community institutions by some £200-300 million a year. This is compared with what would have happened with a continuation of the 1.4 per cent VAT ceiling, the assumption in the public expenditure White Paper.

Compared with the effective level of spending in 1987, which was already in excess of the 1.4 per cent VAT ceiling, the increase will [only] be some £100-200 million a year.

33 The extra expenditure will be met entirely from the reserve and will not involve reductions in agreed domestic programmes.

34 The timing of the future financing agreement means that the 1988 Community Budget will not be adopted before the end of the current [1987-88] financial year, so the Community's emergency financing arrangements, known as provisional twelfths, will continue into 1988-89 rather than end in 1987-88 as assumed in the White Paper. This will increase our net payments to the Community in 1987-88 by about £240 million, mainly because our abatement in the first three months of 1988 is being made at the rate of the 1987 not the 1988 budget. Once the 1988 budget has been adopted, however, perhaps in May, we shall benefit from a much higher abatement, and the increased abatement will be backdated to the beginning of January. This will reduce our net payments in 1988-89 compared to the figure in the White Paper by the same amount as the increase in 1987-88, around £240 million.

35 Thus in 1988-89 itself, the effect of the future financing package on our net payments will be very broadly offset by the effect of the delay in the adoption of the 1988 budget.



## PERORATION

I am acutely aware that the breadth of public expenditure is such that I have not been able to mention many important matters:

- I have not had time to mention the extra £240 million a year we have added to the plans for spending on science and technology.
- Nor the £1½ billion addition to our plans for capital expenditure in each of the next 2 years.
- Nor yet the extra £630 million we are providing for education; £270 million more after taking account of the amounts allowed for teachers' pay and academic restructuring.
- And nor the extra resources we are devoting to the inner cities - and the increased resources we are attracting into the inner cities through creating a partnership with the private sector.

I suspect that these increases will not find a place in the speech we are about to hear from the hon. Member for Dunfermline East either.

36 These public expenditure increases have only been made possible by the sound state of the public finances and the healthy state of the economy. Prudent control of public expenditure has been and will continue to be the cornerstone of the virtuous circle of improving

public finances and a strengthening economy. The complete and abject failure of the Opposition to understand these simple truths will again be in evidence today. They seem to view the hard-won progress of recent years as a kind of windfall, just as I suppose they imagine that the economic failure which toppled them was bad luck. If they don't understand, then the public do - as they have shown very clearly on three memorable occasions.

37 The Opposition will again talk of cuts where there have been increases. They will again air their obsession with pounds spent rather than outputs achieved and this despite the awful illustration of the ILEA that spends more and achieves less than any other education authority in the country.

38 Mr Speaker, all these points they will make are as familiar as they are flawed. The public are not fooled and I trust that this House will not be fooled. I beg to move.

Ch/content?

A few changes

mpm 12/5

FROM: MISS C E C SINCLAIR

DATE: 6 May 1988

JA 11/5  
Schwartz

- 1. MR ANSON
- 1a. SIR PETER MIDDLETON - to see
- 2. CHANCELLOR the Treasury contribution

- cc Mr Scholar
- Mr H Phillips
- Mr C D Butler
- Mr Culpin
- Mrs Lomax
- Mr Luce
- Mr Odling-Smee
- Mr Turnbull
- Mr Gieve
- Mr Hoare o/r
- Mr P Harris
- Mr Cropper
- Mr Tyrie
- Mr Call

Copies attached for:

- CHIEF SECRETARY
- FINANCIAL SECRETARY
- ECONOMIC SECRETARY
- PAYMASTER GENERAL
- SIR P MIDDLETON

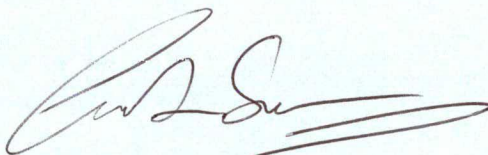
TCSC ENQUIRY INTO THE PEWP: CHANCELLOR'S DEPARTMENTS

1. In March the TCSC put to us questions arising out of the 1988 Public Expenditure White Paper (Cm 288) to be answered in respect of each of the Departments of the Chancellor of the Exchequer (copy of letter attached). I attach a draft response which has been put together in consultation with the various Departments and relevant Divisions of the Treasury. You may wish to know that the Committee put the same questions to OMCS and the Department of Finance and Personnel in Belfast.
2. As you will see, we give general answers to the questions on relative price effects, commitments beyond the Survey period, future claims on the Reserve, and the use of value for money information in the PES round. The suggested responses on these points are in line with the advice which has been sent to other Departments after clearing it with the Chief Secretary.
3. All figures are given to the nearest £0.1 million to avoid rounding problems for the smaller departments. This is more detailed than the figures in the White Paper which are rounded to the nearest £1 million for years up to 1988-89 and to £10 million for 1989-90 and 1990-91.

This section flagged. It is, I suppose, v. roughly in line with approach proposed in Turnbull's minute of 8/3 behind. But some nothing sacred about wording.

4. We understand that when the Committee have received the document they might invite one or two departments to appear before them (as opposed to past practice of questioning all departments). Once we have confirmation of this we will consider whether further advice needs to be given to the departments concerned.

5. Subject to your comments and those of other Ministers, we propose to send the memorandum to the Clerk of the Committee.

A handwritten signature in dark ink, appearing to read 'Carolyn Sinclair', with a long horizontal flourish extending to the right.

**CAROLYN SINCLAIR**



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TREASURY AND CIVIL SERVICE COMMITTEE

15 March 1988

Miss Carys Evans  
HM Treasury  
Parliament Street  
SW1P 3AG

*Dear Carys,*

We spoke recently about written questions relating to the Departments of the Chancellor. Following last year's precedent the Committee would be grateful for written replies to the attached list of questions relating to the Public Expenditure White Paper.

The object of the exercise is to provide additional information on which the Committee may base oral questions at a meeting in the spring on the relevant chapter of PEWP and on the Main Estimates for 1988-89.

It would greatly assist the Committee if replies could reach me within about a month. I shall be in touch with you later about possible dates for an oral evidence meeting on the model of the one held on 27 April 1987.

I am writing in similar terms to OMCS and to the Department of Finance and Personnel in Belfast.

*Yours*

*George*

G CUBIE  
Clerk of the Committee

In respect of each of the Departments of the Chancellor detailed on pp351-369 of Cm 288-II (The Government's Expenditure Plans 1988-89 to 1990-91):

a. What are the reasons for any differences between the 1987-88 plans published in Cm 56 and the 1987-88 estimated outturn? How much of any increase is attributable to use of the Reserve?

b. Has there been an increase or a decrease in the 1987-88 estimated outturn compared with the 1986-87 outturn? How much has it been in percentage terms and how much after adjustment for

- i) the GDP deflator
- ii) the department's relative price effect

(If the Department does not systematically collect RPE data, the Committee would be interested to have an assessment of the Department's RPE overall or for those activities where pay and prices are most easily identifiable.)

c. Do the planned figures for 1988-89 and subsequent years contain any change compared with the plans for those years in Cm56? What are the reasons for any differences between the two sets of figures?

d. Is there to be an increase or a decrease in the 1988-89 plans compared with the 1987-88 estimated outturn? How much will it be in percentage terms, and how much after adjustment for i) the gdp deflator ii) the appropriate relative price effect?

e. What future commitments are implied by the plans presented in the White Paper - ie does the planning horizon stretch beyond the final year of the current planning period?

f. Does the Department envisage needing to call on the Reserve over the planning period? And if so how? Are the plans predicated on this being possible?

g. Have there been any changes or refinements in objectives during the past year? If so, what was the impact on estimated expenditure for 1987-88, or on expenditure plans for 1988-89 to 1990-91?

h. Not all performance measures in the PEWP are true indicators relating inputs, preferable financial, to outputs. Even where systems of targetting and management information do exist, details are not always published in the PEWP.

i) Does the Department have a continuing plan to develop performance indicators?

ii) Has the Department recently received instructions about extending the use of indicators?

iii) How many targets and indicators are published in PEWP?

i. (For departments other than the Treasury itself) is information demonstrating departmental efficiency of effectiveness used in negotiations with the Treasury during the PES round?

## PUBLIC EXPENDITURE 1988-89 TO 1990-91: CHANCELLOR'S DEPARTMENTS

Memorandum by HM Treasury

1. The Clerk to the Committee wrote to the Treasury on the Committee's behalf on 15 March 1988 with a list of questions arising out of the 1988 Public Expenditure White Paper (Cm 288) to be answered in respect of each of the Departments of the Chancellor of the Exchequer. The annexes give answers on a departmental basis. An annex has not been provided for NILO; its public expenditure is funded from a very small <sup>token</sup> net vote, so there was no substantive entry for the forward years in either Cm 56 or Cm 288. This note <sup>makes a number of general points on</sup> provides answers to five questions which raise <sup>(general)</sup> issues that apply to all the departments.

Has there been an increase or a decrease in the 1987-88 estimated outturn compared with the 1986-87 outturn? How much has it been in percentage terms and how much after adjustment for the department's relative price effect.

(If the Department does not systematically collect RPE data, the Committee would be interested to have an assessment of the Department's RPE overall or for those activities where pay and prices are most easily identifiable). (Question b(ii)).

*(Which has proved a substantial improvement over volume planning,)*  
 2. Since the introduction of cash planning, the Chancellor's departments have not *needed to use scanner resources in collecting the detailed* collected comprehensive price information on their costs in a way which allows *the data to be used* them to calculate properly weighted indices for all costs either for whole programmes or for particular activities. It would be misleading to draw conclusions from a partial

↑  
 Shouldn't we just say we don't believe in it & have therefore not thought it a good use of resources?



sample of costs either on the price movements over programmes as a whole or on the costs of delivering particular services which will depend not only on input prices but the efficiency with which inputs are used.

**Is there to be an increase or decrease in the 1988-89 plans compared with the 1987-88 estimated outturn? How much will it be in percentage terms, and how much after adjustment for the appropriate relative price effect? (Question d(ii)).**

3. While departments take account of the likely future movements in costs in considering future service levels and whether additional provision should be sought, these are not systematically aggregated to produce relative price indices and, in any event, the Government does not wish to make public its expectations of the results of future negotiations on pay and prices.

*Very good reasons*

*There are a few small differences in priority time base*

*These are matters that are best subject to negotiation.*

**What future commitments are implied by the plans presented in the White Paper - ie does the planning horizon stretch beyond the final year of the current planning period? (Question e)**

4. As the departmental annexes show, in many cases assumptions are made about the period beyond the White Paper horizon in order to be able to plan sensibly within it. Corporate plans or management plans may also cover a longer period than three years. Nonetheless such assumptions and plans about the period beyond the White Paper horizon still need to be reviewed and examined by Ministers collectively once they fall within a public expenditure Survey.

**Does the Department envisage needing to call on the Reserve over the planning period? And if so how? Are the plans predicated on this being possible? (Question f)**

5. The departmental totals set out in the White Paper are the provision within which departments plan their expenditure and operations. Departments' plans, therefore, are not based on the assumption that they will have access to the Reserve.

**(For departments other than the Treasury itself) is information demonstrating departmental efficiency or effectiveness used in negotiations with the Treasury during the PES round? (Question i)**

6. At the start of the annual Survey, departments are required to submit to the Treasury information on the objectives of their programmes and the efficiency and effectiveness with which they are being delivered. Departments are required in the Survey discussion to support any bids with a clear statement as to what the money will buy including, wherever possible, quantified targets for output and performance. This information informs the subsequent discussions. In all cases the questions of whether the department could achieve its objectives more efficiently, effectively, or economically are central issues in the Survey discussions.

### **Statistical Conventions**

7. The following statistical conventions have been adopted in the departmental annexes:

i. The real terms figures in the answers to questions (b) and (d) are at 1986-87 prices, deflated by the projections of the GDP deflator set out in paragraph 4(c) of Chapter 2 of Cm 288 -I. The GDP deflator is the index of general inflation most appropriate for showing changes in public expenditure in real terms.

ii. Differences and percentage changes have been calculated from unrounded numbers and rounded independently.

iii. All figures are shown rounded to the nearest £ hundred thousand. £100,000

iv. Comparisons with Cm 56 are made after adjustment of Cm 56 figures to the definition of public expenditure used in Cm 288.

**HM TREASURY**

**May 1988**

CENTRAL OFFICE OF INFORMATIONQuestion a

What are the reasons for any differences between the 1987-88 plans published in Cm 56 and the 1987-88 estimated outturn? How much of any increase is attributable to use of the Reserve?

	1987-88 Plans (Cm 56)	1987-88 Estimated Outturn (Cm 288)	f million
Gross Consolidated Fund	73	150.5	
Extra Receipts	72	157.0	
Net	1	-6.5	

The COI is a repayment department and is demand led. The additional expenditure was incurred as a result of a general increase in the level of government publicity but included, in particular, expenditure on paid advertising in connection with flotations. There was no use of the Reserve.

Question b

Has there been an increase or a decrease in the 1987-88 estimated outturn compared with the 1986-87 outturn? How much has it been in percentage terms and how much after adjustment for the GDP deflator?

	1986-87 Outturn	1987-88 Estimated Outturn	Percentage Difference	f million
<u>Cash terms</u>				
Gross	150.2	150.5	+1	
Receipts	162.4	157.0	-3	
Net	-12.2	-6.5	N/A	
<u>Real terms</u>				
Gross	150.2	144.4	-3.9	
Receipts	162.4	149.5	-7.9	
Net	-12.2	-5.1	N/A	

Question c

Do the planned figures for 1988-89 and subsequent years contain any change compared with the plans for those years in Cm 56? What are the reasons for any differences between the two sets of figures?

The plan for 1988-89 is for gross expenditure of £120m and receipts of £118.8m. This compares with £70m (expenditure, matched by receipts of £69m) published in Cm 56. The difference arises because the plan has been adjusted to take account of the latest information available from COI's clients on the likely level of demand in that year. From 1988-89 onwards COI's plans take account of the reclassification of its receipts as appropriations in aid. On a net basis there are no differences from the plans in Cm 56.

#### Question d

Is there to be an increase or a decrease in the 1988-89 plans compared with the 1987-88 estimated outturn? How much will it be in percentage terms, and how much after adjustment for the GDP deflator?

	1987-88 Estimated Outturn (gross)	1988-89 Plans (gross)	Percentage Difference	£ million
Cash terms	150.5	120.0	-20.3	
Real terms	144.4	110.2	-23.7	

#### Question g

Have there been any changes or refinements in objectives during the past year? If so, what was the impact on estimated expenditure for 1987-88, or on expenditure plans for 1988-89 to 1990-91?

No.

#### Question h

Not all performance measures in the PEWP are true indicators relating inputs, preferably financial, to outputs. Even where systems of targeting and management information do exist details are not always published in the PEWP.

- i. Does the Department have a continuing plan to develop performance indicators?
- ii. Has the Department recently received instructions about extending the use of indicators?
- iii. How many targets and indicators are published in the PEWP?

- (i) Yes. COI have made progress in introducing unit output pricing which it is intended should cover all of its activities.
- (ii) The development and use of indicators are part of the ongoing discussions between the Department and the Treasury.
- (iii) The primary financial target, of breaking even, was referred to in the PEWP.

CUSTOMS AND EXCISEQuestion a

What are the reasons for any differences between the 1987-88 plans published in Cm56 and the 1987-88 estimated outturn? How much of any increase is attributable to use of the Reserve?

£ million	
1987-88 Plans (Cm 56)	1987-88 Estimated Outturn (Cm 288)
445.3	445.4

The difference between the plans and the estimated outturn reflects a PES transfer for counterfeit goods work.

Question b

Has there been an increase in the 1987-88 estimated outturn compared with the 1986-87 outturn? How much has it been in percentage terms and how much after adjustment for the GDP deflator?

	£ million		
	1986-87 Outturn	1987-88 Estimated Outturn	Percentage Difference
Cash terms	395.7	445.4	+12.6
Real terms	395.7	427.3	+8.0

Question c

Do the planned figures for 1988-89 and subsequent years contain any change compared with the plans for those years in Cm 56? What are the reasons for any differences between the two sets of figures?

	£ million	
	1988-89	1989-90
Cm 56	480.8	490.1
Cm 288	<u>513.6</u>	<u>542.4</u>
Difference	32.8	52.2

The main reason for the differences is a continuing increase in activity, and in consequence increased outputs, in the Department's two main priority areas - VAT collection and drugs prevention. This is reflected in planned growth in staff numbers (see below). In addition, the growing complexity of the Department's

work - for example, the control of large VAT traders and the need to tackle increasing sophistication in drugs smuggling - has an impact on the quality of staff needed, including their training and equipment. Also, the Department's priority areas are significant users of overtime and travel and subsistence and the enhancing of mobile rather than static preventive controls tends to increase this. Changes in planned staff totals are:

	1.4.88	1.4.89	1.4.90	1.4.91
Cm 56	26627	26748	26935	-
Cm 288	<u>26647</u>	<u>27100</u>	<u>27400</u>	27900
Difference	20*	352	465	

\*PES transfer from DTI for counterfeit goods work.

#### Question d

Is there to be an increase or a decrease in the 1988-89 plans compared with the 1987-88 estimated outturn? How much will it be in percentage terms, and how much after adjustment for the GDP deflator?

	1987-88 Estimated Outturn	1988-89 Plans	Percentage Difference	£ million
Cash terms	445.4	513.6	+15.3	
Real terms	427.3	471.5	+10.3	

#### Question e

What future commitments are implied by the plans presented in the White Paper - ie does the planning horizon stretch beyond the final year of the current planning period?

The plans presented in Cm 288 are essentially a three-year snapshot of continuing activities. The 1988 Management Plan contains a forward look until 1992 and this broadly reflects the Department's planning horizon. Planning on individual projects, eg in the IT area or in respect of the implications of the Channel Tunnel, may have a longer horizon.



Question g

Have there been any changes or refinements in objectives during the past year? if so, what was the impact on estimated expenditure for 1987-88, or on expenditure plans for 1988-89 to 1990-91?

There has been no significant changes in objectives. These are set out in Cm 56-II section 3.19 paras 10 to 12 and, in similar form, in Cm 288-2 chapter 19 paras 10 to 12. More detail is given in the Management Plan.

Question h

Not all performance measures in the PEWP are true indicators relating to inputs, preferable financial, to outputs. Even where systems of targeting and management information do exist, details are not always published in the PEWP.

- i. Does the Department have a continuing plan to develop performance indicators?
- ii. Has the Department recently received instructions about extending the use of indicators?
- iii. How many targets and indicators are published in PEWP?

- (i) Considerable progress continues to be made in setting quantitative targets and measuring performance against these. Resource requirements are, whenever possible, related to the expected outputs. Brief details of recent progress are given in Cm 288-II chapter 19, paras 15 to 18 and further information about targets and performance indicators for specific activities is in the Management Plan. The extent to which the main targets have been achieved is published in the annual Report of the Board of Customs and Excise - the latest volume is for the year ended 31 March 1987 (CM 234). The main current developments concern planning systems which relate resources to activities and results in the three main functional areas - VAT, Excise and Customs. Nationwide VAT and Customs Operational Planning Systems have been running since 1 April 1988 and an Excise System is now being trailed in nine areas of the country. Further planning/performance systems are envisaged for non-functional areas.

- (ii) There is a continuing dialogue between the Department and Treasury on the development of performance indicators, but the initiative here has essentially been with the Department.
  
- (iii) The PEWP (Cm 288-II) publishes
  - a. A table of functional activity statistics comprising 34 lines of historical and current information.
  
  - b. Five specific targets relating to VAT; two relating to Customs; and two relating to the cost of administration.

REGISTRY OF FRIENDLY SOCIETIESQuestion a

What are the reasons for any difference between the 1987-88 plans published in Cm 56 and the 1987-88 estimated outturn? How much of any increase is attributable to use of the Reserve?

No significant difference.

Question b

Has there been an increase or a decrease in the 1987-88 estimated outturn compared with the 1986-87 outturn? How much has it been in percentage terms and how much after adjustment for the GDP deflator?

	£ million		
	1986-87 Outturn	1987-88 Estimated Outturn	Percentage Difference
Cash terms	2.2	1.3	-42.1
Real terms	2.2	1.2	-44.5

The decrease reflects the introduction during 1986-87 of a general charge on building societies to recover the costs of their supervision by the Building Society Commission. The Commission was established as an independent part of the Department in September 1986, and the general charge took effect from then.

Question c

Do the planned figures for 1988-89 and subsequent years contain any change compared with the plans for those years in Cm 56? What are the reasons for any differences between the two sets of figures?

	£ million	
	1988-89	1989-90
Cm 56	1.3	1.4
Cm 288	3.9	2.0

The increase in plans largely reflects special provision of £2.5 million in 1988-89 and £0.6 million in 1989-90. These sums, which are ring fenced, are intended to cover the full additional costs that may be incurred when it becomes necessary to re-house part or all of the Department in 1988-89. Any underspend will accrue to the Reserve. The increase in plans for 1988-89 also includes provision for development of the prudential work of the Building Societies Commission.

Question d

Is there to be an increase in the 1988-89 plans compared with the 1987-88 estimated outturn? How much will it be in percentage terms, and how much after adjustment for the GDP deflator?

	1987-88 Estimated Outturn	1988-89 Plans	Percentage Difference
Cash terms	1.3	3.9	198.4
Real terms	1.2	3.5	185.6

£ million

The 1988-89 plans show a net increase of almost 200 per cent, due to the provision for re-housing, the costs of which cannot be recovered immediately through fees and charges.

Question g

Have there been any changes or refinements in objectives during the past year? If so what was the impact on estimated expenditure for 1987-88, or on expenditure plans for 1988-89 to 1990-91?

The Building Societies Commission was established in September 1986. The Commission has further developed its systems for prudential supervision of building societies in the light of developments following the enactment of the Building Society Act 1986. This is, in part, reflected in the increased provision for the Department in 1988-89.

Question h

Not all performance measures in the PEWP are true indicators relating inputs, preferably financial, to outputs. Even where systems of targeting and management information do exist details are not always published in the PEWP.

- i. Does the Department have a continuing plan to develop performance indicators?
- ii. Has the Department recently received instructions about extending the use of indicators?
- iii. How many targets and indicators are published in the PEWP?

The principal function of the Department is to undertake prudential supervision of building and friendly societies; in itself, this function does not readily lend itself to output measurement. However, the Department plans to develop output indicators for those areas of its work where this would be practicable.

GOVERNMENT ACTUARY'S DEPARTMENTQuestion a

What are the reasons for any difference between the 1987-88 plans published in Cm 56 and the 1987-88 estimated outturn. How much of any increase is attributable to use of the Reserve?

There are no differences.

Question b

Has there been an increase or a decrease in the 1987-88 estimated outturn compared with the 1986-87 outturn? How much has it been in percentage terms and how much after adjustment for the GDP deflator?

	1986-87 Outturn	1987-88 Estimated Outturn	Percentage Difference	£ million
Cash terms	1.3	1.4	+12.4	
Real terms	1.3	1.4	+7.8	

Question c

Do the planned figures for 1988-89 and subsequent years contain any change compared with the plans for those years in Cm 56? What are the reasons for any differences between the two sets of figures?

Compared with Cm 56 GAD net expenditure has increased by £0.2m in 1988-89 and £0.3m in 1989-90. The increases are designed to enable GAD to recruit and retain its agreed numbers of professional actuarial staff.

*(ie pay!)*

Question d

Is there to be an increase or a decrease in the 1988-89 plans compared with the 1987-88 estimated outturn? How much will it be in percentage terms, and how much after adjustment for the GDP deflator?

	1987-88 Estimated Outturn	1988-89 Plans	Percentage Difference	£ million
Cash terms	1.4	1.7	+18.0	
Real terms	1.4	1.5	+12.4	

Question g

Have there been any changes or refinements in objectives during the past year? If so, what was the impact on estimated expenditure for 1987-88, or on expenditure plans for 1988-89 to 1990-91?

Yes. From 1989-90 GAD's services will be provided to its clients on a repayment basis. A continuing objective of the GAD is to recruit and retain professional actuarial staff. The additional provision included in Cm 288 from 1988-89 reflects this.

Question h

Not all performance measures in the PEWP are true indicators relating inputs, preferably financial, to outputs. Even where systems of targeting and management information do exist details are not always published in the PEWP.

- i. Does the Department have a continuing plan to develop performance indicators?
- ii. Has the Department recently received instructions about extending the use of indicators?
- iii. How many targets and indicators are published in the PEWP?
  - (i) Plans on the scope for developing appropriate performance indicators following the move to repayment are being considered. But it must be said that there is a difficulty about true indicators relating inputs to outputs mentioned in the question. Inputs are already measured, but statistical indicators of the quality and value of output are unsuited to most of our work.
  - (ii) The development and use of indicators are part of the ongoing discussions between the Department and the Treasury.
  - (iii) None.

HER MAJESTY'S STATIONERY OFFICEQuestion a

What are the reasons for any differences between the 1987-88 plans published in Cm 56 and the 1987-88 estimated outturn? How much of any increase is attributable to use of the reserve?

**Vote Funded Services:**

A shortfall in expenditure (of £0.4 million) is reflected between the two values, this relates to the timing of the General Election and the resultant reduction in volume experienced against Class XIX, Vote 6. Use of the Reserve therefore does not apply.

**Trading Fund:**

No difference

Question b

Has there been an increase or decrease in the 1987-88 estimated outturn compared with the 1986-87 outturn? How much has it been in percentage terms and how much after adjustment for the GDP deflator?

**Vote Funded Services:**

	1986-87 Outturn	1987-88 Estimated Outturn	Percentage Difference	£ million
Cash terms	17.7	19.2	+7.9	
Real terms	17.7	18.4	+3.5	

**Trading Fund:**

	1986-87 Outturn	1987-88 Estimated Outturn	Percentage Difference	£ million
Cash terms	-6.7	-6.7	0.0	
Real terms	-6.7	-6.5	+4.6	

Question c

Do the planned figures for 1988-89 and subsequent years contain any change compared with the plans for those years in Cm 56? What are the reasons for any differences between the two sets of figures?

**Vote Funded Services:**

	1988-89	1989-90	£ million
Cm 56	19.8	21.1	
Cm 288	<u>19.5</u>	<u>20.3</u>	
Difference	<u>-0.3</u>	<u>-0.8</u>	

A reduction over the future years results from the reduction in the volume increase allowed for House of Lords expenditure from 20 per cent to 5 per cent.

**Trading Fund:**

No difference

**Question d**

Is there to be an increase or decrease in the 1988-89 plans compared with the 1987-88 estimated outturn? How much will it be in percentage terms, and how much after adjustment for the GDP deflator?

**Vote Funded Services:**

	1987-88 Estimated Outturn	1988-89 Plans	Percentage Difference	£ million
Cash terms	19.2	19.5	+2.0	
Real terms	18.4	17.9	-2.4	

**Trading Fund:**

	1987-88 Estimated Outturn	1988-89 Plans	Percentage Difference	£ million
Cash terms	-6.7	-6.7	0.0	
Real terms	-6.5	-6.2	+4.3	

**Question e**

What future commitments are implied by the plans presented in the White Paper - ie does the planning horizon stretch beyond the final year of the current planning period?

HMSO prepares a corporate plan which looks ahead 5 years and is used as a basis for Survey discussions.



Question f

Does the Department envisage needing to call on the Reserve over the planning period and if so how? Are the plans predicated on this being possible?

The need to call on the Reserve is not envisaged at this stage but due to the demand-led nature of the expenditure and the importance in meeting the requirements of the Houses this could arise.

Question g

Have there been any changes or refinements in objectives during the last year? If so, what was the impact on estimated expenditure for 1987-88, or on expenditure plans for 1988-89 to 1990-91?

None.

Question h

Not all performance measures in the PEWP are true indicators relating inputs, preferably financial, to outputs. Even where systems of targeting and management information do exist, details are not always published in the PEWP.

- i. Does the Department have a continuing plan to develop performance indicators?
- ii. Has the department recently received instructions about extending the use of indicators?
- iii. How many targets and indicators are published in PEWP?
  - (i) Yes, as included within HMSO's White Paper Trading Fund accounts laid before Parliament annually.
  - (ii) HMSO already has a well developed system of management and performance related indicators and no direct instructions have been received aimed at their extension.
  - (iii) Manpower plans only.

INLAND REVENUEQuestion a

what are the reasons for any differences between the 1987-88 plans published in Cm 56 and the 1987-88 estimated outturn? How much of any increase is attributable to use of the Reserve?

	1987-88 Plans (Cm 56)	1987-88 Estimated Outturn (Cm 288)	£ million
Administration	1,024.4	1,052.7	
MIRAS/LAPRAS	218.0	248.0	

The principal factors affecting administration costs are

- (1) an increased provision for dealing with workloads in the taxes and collection networks in 1987-88, including additional overtime working to improve the workstate;
- (2) a revised estimate of amounts received for the cost of collecting National Insurance Contributions;
- (3) Capital of £0.914 million carried forward from 1986-87 under the Year End Flexibility Scheme.

The increase in the estimated outturn for MIRAS/LAPRAS is due to changes in interest rates and a small increase in the number of non-taxpayers estimated to be in receipt of MIRAS repayments.

As the TCSC will know, an increase in the Inland Revenue's 1987-88 provision was authorised by a Winter Supplementary Estimate. The increase was a call on the Reserve.

Question b

Has there been an increase or decrease in the 1987-88 estimated outturn compared with the 1986-87 outturn? How much has it been in percentage terms and how much after adjustment for the GDP deflator?

	1986-87 Outturn	1987-88 Estimated Outturn	Percentage Difference	£ million
<u>Administration</u>				
Cash terms	962.4	1,052.7	+9.4	
Real terms	962.4	1,009.7	+4.9	
<u>MIRAS/LAPRAS</u>				
Cash terms	212.0	248.0	+17.0	
Real terms	212.0	237.9	+12.2	

Question c

Do the planned figures for 1988-89 and subsequent years contain any change compared with the plans for those years in Cm 56? What are the reasons for any differences between the two sets of figures?

	1988-89	1989-90	£ million
Cm 56	1,040.1	1,072.2	
Cm 288	<u>1,104.5</u>	<u>1,140.2</u>	
Difference	64.4	67.9	

The major factors leading to an increase in the department's plans are the following:

- a. increased provision to deal with workloads in the taxes and collection networks;
- b. revised implementation plans for computer developments;
- c. inclusion in the department's figures of accommodation capital expenditure, which appeared in PSA's plans in CM 56.

MIRAS/LAPRAS

	1988-89	1989-90	£ million
Cm 56	235.0	262.0	
Cm 288	<u>285.0</u>	<u>322.0</u>	
Difference	50.0	60.0	

The factors leading to the increase in 1987-88 also apply to 1988-89 and 1989-90.

Question d

Is there to be an increase or a decrease in the 1988-89 plans compared with the 1987-88 estimated outturn? How much will it be in percentage terms, and how much after adjustment for the GDP deflator?

	1987-88 Estimated Outturn	1988-89 Plans	Percentage Difference	£ million
<u>Administration</u>				
Cash terms	1,052.7	1,104.5	+4.9	
Real terms	1,009.7	1,013.9	+0.4	
<u>MIRAS/LAPRAS</u>				
Cash terms	248.0	285.0	+14.9	
Real terms	237.9	261.6	+10.0	

Question e

What future commitments are implied by the plans presented in the White Paper - ie does the planning horizon stretch beyond the final year of the current period?

Firm financial plans are only formulated for the three year forward period shown in the Public Expenditure White Paper. But the Inland Revenue has developed arrangements for strategic forward planning (including major resource implications) over a longer period ahead, with particular reference to major computer projects.

Question f

Does the Department envisage needing to call on the Reserve over the planning period? And if so how? Are the plans predicated on this being possible?

Policy changes since the Survey was settled eg introduction of Independent Taxation can affect financial plans for future years. The provision which the Department has to seek in each successive Survey round may change as a result. The net position of the Department is a matter to be discussed with Treasury and Ministers in the course of the Survey round.

Question g

Have there been any changes or refinements in objectives during the past year? If so, what was the impact on estimated expenditure for 1987-88, or on expenditure plans for 1988-89 to 1990-91?

A Departmental Statement setting out the Department's aims, objectives, priorities and specific targets for 1987-88 was published for the first time in Summer 1987. This Statement was consistent with expenditure plans and did not change them. (The Statement was published with the documentation for the Board's Senior Management System in July 1987 and also with the Board's latest Annual Report in December 1987.)

Question h

Not all performance measures in the PEWP are true indicators relating inputs, preferable financial, to outputs. Even where systems of targetting and management information do exist, details are not always published in the PEWP.

- i. Does the Department have a continuing plan to develop performance indicators?
- ii. Has the Department recently received instructions about extending the use of the indicators?
- iii. How many targets and indicators are published in PEWP?
  - (i) The Department already has in place a wide range of performance indicators and arrangements for targetting or monitoring performance by reference to them. The Department regards it as a major priority to develop performance indicators further (including the preparation of unit costs for the main blocks of the Department's work) and to keep existing indicators under review for their continuing relevance and effectiveness.

Further details of work in hand are given in the published documentation of the Department's Senior Management System and in the Board's latest Annual Report.
  - (ii) As set out in the Treasury response, indicators are supplied to the Treasury and play an important part in Survey discussions.
  - (iii) Twelve targets and indicators were published in the last PEWP. Many more are set out in the 1987 Departmental Statement (see answer to question g) and in the published documentation for the Senior Management System.

	1987-88 Estimated Outturn	1988-89 Plans	Percentage Difference	f million
Cash terms	158.8	164.1	+3.3	
Real terms	152.3	150.6	-1.2	

Question g

Have there been any changes or refinements in objectives during the past year? If so, what was the impact on estimated expenditure for 1987-88, or on expenditure plans for 1988-89 to 1990-91?

None that affect the planned levels of administrative expenditure shown in the PEWP.

Question h

Not all performance measures in the PEWP are true indicators relating inputs, preferable financial, to outputs. Even where systems of targetting and management information do exist, details are not always published in the PEWP.

- i. Does the Department have a continuing plan to develop performance indicators?
- ii. Has the Department recently received instructions about extending the use of indicators?
- iii. How many targets and indicators are published in PEWP?
  - (i) A Resource Management Budget is now prepared annually. It contains for each major management unit forecasts of workloads and throughput per head. The Management Board will monitor performance monthly and will make changes as necessary to ensure that the budget remains an effective and reliable management tool.
  - (ii) The Multi-Departmental Review of Budgeting requires that budgets should include output and performance indicators and there should be regular evaluation of what has been achieved compared with the objectives that have been set. The department has been helped by central advice in developing relevant indicators. See also answer to h(i).
  - (iii) Fourteen.

DEPARTMENT FOR NATIONAL SAVINGSQuestion a

What are the reasons for any differences between the 1987-88 plans published in Cm 56 and the 1987-88 outturn? How much of any increase is attributable to use of the Reserve?

	£ million	
1987-88 Plans (Cm 56)	1987-88 Estimated Outturn (Cm 288)	
159.7	158.8	

The reduction arises from slightly lower than expected expenditure on publicity and fees to agents selling National Savings Certificates.

Question b

Has there been an increase or a decrease in the 1987-88 estimated outturn compared with the 1986-87 outturn? How much has it been in percentage terms and how much after adjustment for the GDP deflator?

	1986-87 Outturn	1987-88 Estimated Outturn	Percentage Difference	£ million
Cash terms	156.0	158.8	+1.8	
Real terms	156.0	152.3	-2.4	

Question c

Do the planned figures for 1988-89 and subsequent years contain any change compared with those years in Cm 56? What are the reasons for any differences between the two sets of figures?

	£ million	
	1988-89	1989-90
Cm 56	163.8	167.9
Cm 288	<u>164.1</u>	<u>168.3</u>
Difference	<u>+0.3</u>	<u>+0.4</u>

Cm 288 reflects the transfer from PSA for buildings maintenance costs.

Question d

Is there to be an increase or a decrease in the 1988-89 plans compared with the 1987-88 estimated outturn? How much will it be in percentage terms, and how much after adjustment for the GDP deflator?

HM TREASURYQuestion a

What are the reasons for any differences between the 1987-88 plans published in Cm 56 and the 1987-88 estimated outturn? How much of any increase is attributable to use of the Reserve?

	£ million	
1987-88 Plans (Cm 56)	1987-88 Estimated Outturn (Cm 288)	Percentage Difference
352.6	388.8	+10.3

The difference between the plans in Cm 56 and the estimated outturn in Cm 288 is mainly due to taking a Supplementary Estimate on the Rating of Government Property Vote (£10.5 million) and further drawing from the Reserve for expenses of the 1987 General Election (£25 million).

Plans for rates were constructed on the assumption that they would increase in line with the GDP deflator. Actual levels of rate poundage increases were 6½ per cent in England and Wales, and 16 per cent in Scotland. There were also volume changes in the size of the Estate.

Question b

Has there been an increase or a decrease in the 1987-88 estimated outturn compared with the 1986-87 outturn? How much has it been in percentage terms and how much after adjustments for the GDP deflator.

			£ million
	1986-87 Outturn	1987-88 Estimated Outturn	Percentage Difference
Cash terms	340.4	388.8	+14.2
Real terms	340.4	372.9	+9.5

Question c

Do the planned figures for 1988-89 and subsequent years contain any change compared with the plans for those years in Cm 56? What are the reasons for any differences between the two sets of figures?



	1988-89	1989-90	£ million
Cm 56	373.4	401.8	
Cm 288	<u>374.1</u>	<u>404.5</u>	
Difference	0.7	2.7	

The main difference results from the cumulative effect of rate increases (+£10.2 million), external transfers in 1988-89 (-£7.300 million for Houses of Parliament IT, +£1.786 million for OMCS functions).

#### Question d

Is there to be an increase or a decrease in the 1988-89 plans compared with the 1987-88 estimated outturn? How much will it be in percentage terms, and how much after adjustment for the GDP deflator?

	1987-88 Estimated Outturn	1988-89 Plans	Percentage	£ million
Cash terms	388.8	374.1	-3.8	
Real terms	372.9	343.4	-7.9	

#### Question e

What future commitments are implied by the plans presented in the White Paper - ie does the planning horizon stretch beyond the final year of the current planning period?

The UK Coinage contract is based on estimated coin demand over a five year period. The rest mainly relates to the Survey years.

#### Question g

Have there been any changes or refinements in objectives during the past year? If so, what was the impact on estimated expenditure for 1987-88, or on expenditure plans for 1988-89 to 1990-91?

With effect from 1 October 1987, those functions of Management and Personnel Office (MPO) bearing directly on financial management and on manpower, pay and financial conditions of service were brought into the Treasury, so as to reflect the increasingly close association between pay structure and manpower issues in the Civil Service. The responsibilities remaining with the Cabinet Office are now discharged by the Office of the Minister for the Civil Service (OMCS). This change brought an extra £1.786 million, £1.771 million and £1.834 million respectively into the Treasury's expenditure plans for 1988-89 to 1990-91.

FROM: R DEVEREUX

DATE: 19 May 1988

- 1. MISS NOBLE *C Noble*
- 2. PAYMASTER GENERAL

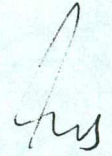
cc **PPS**  
Ms Evans  
Mr Garrett o/r

*OK in  
short*

**TCSC PEWP ENQUIRY**

I attach a short factual note on the Royal Mint requested by the clerk of the TCSC ahead of Mr Garrett's appearance before the committee on Wednesday 25 May.

- 2. The note has been cleared with Mint. Are you content with it?



**R DEVEREUX**

## THE ROYAL MINT

Memorandum by HM Treasury and the Royal Mint

The Royal Mint, whose origins date back over 1,100 years, was established as a Trading Fund on 1 April 1975 in accordance with the Royal Mint Trading Fund Order 1975, made under the Government Trading Funds Act 1973. Under the Order the operations of the Royal Mint are defined as:

"The manufacture and supply of coins, medals, seals and similar articles, and any operation incidental or conducive to such manufacture or supply."

2. The Royal Mint is a Government Department. All its employees are civil servants. The Chancellor of the Exchequer, ~~who~~ <sup>and has overall responsibility</sup> ~~is~~ <sup>Minister</sup> ~~also~~ Master of the Mint, ~~is the Minister responsible~~ for the Mint. The Chief Executive and Accounting Officer is the Deputy Master of the Mint, who is responsible for day-to-day operations of the Mint, though accountable to the Chancellor.

3. The primary function of the Mint is the provision and maintenance of the United Kingdom coinage. The costs of the manufacture, storage and distribution of UK coinage are met by the Treasury from a non-cash limited vote (Class XIX, Vote 12). These costs form part of the Treasury's public expenditure programme. The Treasury is responsible for the coin issue, taking account of advice from the Royal Mint. The actual number of coins issued is generally determined by demand.

4. Payments from the Treasury for UK coinage form part of the Royal Mint's income, which also includes receipts from its

successful overseas business (selling coins to more than 60 countries), the recently launched Britannia bullion coin, collector coins, and other products. Since the change to Trading Fund Status in 1975, the Royal Mint has achieved total sales of over £750 million, including 60% overseas. The Royal Mint pays a dividend to the Treasury out of its overall profit. The Mint's net repayment of external finance (from the NLF) is scored as <sup>negative</sup> public expenditure. All NLF debt will be repaid by 1990-91.

5. The Chancellor sets a financial target for the Royal Mint under the 1973 Act. The present target, which was set last year and covers the three years 1987-88 and 1989-90, is for the Royal Mint to achieve a 10 per cent current cost return on net assets. The Royal Mint also sets its own, more detailed, objectives in its annual Corporate Plan. This plan is discussed with the Treasury, and approved by the Chancellor each year. The plan is not published because it contains, particularly in its objectives, confidential commercial material. However, the Royal Mint does publish an Annual Report, including its accounts.

PWP

FROM: S P B WALKER

DATE: 1 July 1988

- 1 MR MACAUSLAN
- 2 CHIEF SECRETARY

pm 1/7/88

The format of the AS is  
 of course, primary under the  
 but I am central with  
 what is proposed.

- cc: **Chancellor**  
 Sir P Middleton\*  
 Mr Anson\*  
 Mr Phillips\*  
 Mr Luce\*  
 Mr Turnbull\*  
 Mr Odling-Smee\*  
 Mr Spackman\*  
 Mr Gieve  
 Mrs Butler\*  
 Mr Richardson\*  
 Mr Welsh\*  
 Mr Hansford\*  
 Miss Evans\*  
 Mr G C White  
 Mr C Woolf\*  
 Miss James\*  
 Miss Adamson  
 Mr Miller  
 Mr Call

passed on to RS/CST who will cover in her minute.

mpw. \* Without Annexes B&C

**PRESENTATION OF PUBLIC EXPENDITURE PLANS:  
 1988 AUTUMN STATEMENT AND 1989 PEWP**

In the Treasury's response to the TCSC and PAC on Financial Reporting to Parliament we proposed to expand the Autumn Statement presentation of public expenditure plans by including some of the material currently in Chapter 1 of Volume 1 of the PEWP, and to split the PEWP into departmental chapters, published as separate booklets. The remaining summary information from Volume 1 of the PEWP, excluding Chapter 1, would be released separately. I attach a copy of the relevant extract from the Treasury response at Annex A.

2. This submission proposes a format for the expanded public expenditure chapter of the Autumn Statement, and explains how we expect the White Paper to look in 1989.

### The Autumn Statement

3. A mock-up of the public expenditure chapter of the Autumn Statement incorporating the extra material as proposed in the response to the Select Committee is attached at Annex B. The text and figures are a mixture, taken from last year's Autumn Statement and White Paper for illustrative purposes, to give an idea of how the publication would look. As this chapter will be the main policy statement of the government's spending plans, we propose that it should be the first chapter of the Autumn Statement, coming before the forecast.

4. The material is arranged in the following way:

(i) It begins with a page of "main points", like Chapter 1 of the current White Paper, giving the new planning totals, GGE/GDP ratios, increases in priority programmes, real terms growth, and other headline items. An alternative approach would be to give the Autumn Statement document a separate introductory chapter, comprising one or two of the main points of the public expenditure chapter together with the main features of the forecast and NICs changes, and a paragraph setting them in the context of the MTFS. This would follow the pattern of the FSBR, and would attempt to pull together the disparate elements of the Autumn Statement. However, we do not favour this alternative, as it would tend to make the Autumn Statement look more like the announcement of a major economic 'package', which Ministers have wished to avoid. Starting with the public expenditure chapter, without an introduction, on the other hand, puts the emphasis on the announcement of the results of the Survey rather than on the forecast.

*Nov 20 1*

(ii) the Introduction, which sets the plans in the context of the MTF5 and gives more background to the new aggregates, is taken from Chapter 1 of the White Paper.

(iii) in addition to the graphs showing GGE as a proportion of GDP and expenditure in real terms which have been included in recent Autumn Statements, the new version includes a table showing the new public expenditure totals, and tables comparing successive plans and outturn for the planning total and the GGE/GDP ratio; these are taken from the PEWP.

(iv) the tables in past Autumn Statements showing figures since 1978-79 for the GGE/GDP ratio and the planning total and GGE in cash and real terms have been incorporated into new tables at the end of the chapter, showing spending by department in cash and real terms since 1978-79.

(v) the main table setting out the results of the Survey for each department is the same form as in last year's Autumn Statement.

(vi) the paragraphs on each department which appeared in previous Autumn Statements have been expanded in the new version to include some information about the programme as a whole as well as a description of the changes resulting from the Survey. They do not incorporate the value for money information included in the equivalent paragraphs in Chapter 1 of the PEWP, which was partly intended as a trailer for the descriptions in departments' chapters of the value for money achieved by their expenditure. We would not necessarily have repeated this material every year. A general statement of this kind would not fit well in the Autumn Statement, although a brief reference to the continuing need to pursue value for money might be included in the introductory section.

(vii) as in last year's Autumn Statement, there will be tables showing the new plans by spending authority, and sections in the text commenting on the plans for local authority current and capital spending, nationalised industries (including a table of EFLs for the coming year) and other public corporations.

(viii) aggregate figures for planned spending on capital investment and science and technology were also given in last year's Autumn Statement, and are shown in this section of the new version.

(ix) finally, there are paragraphs on privatisation proceeds and the Reserves, and a new table, taken from the White Paper, showing gross and net general government debt interest.

5. The chapter in this form is seven pages longer than last year's public expenditure chapter. FP advise that the increased length is manageable, although it will be necessary to make allowance for it in the printing timetable. It should not endanger the timing of publication in relation to the final public expenditure Cabinet. The increased length also raises the possibility of physically splitting the Autumn Statement into two separate documents: the first (and principal) part being the policy statement announcing the outcome of the Survey and the other containing the economic forecast, NI contributions and tax ready reckoner. However, the various parts of the present document were combined in response to the TCSC's report on Budgetary reform in 1982, and there might be some criticism of a return to separate publication. This is perhaps an option which might be considered when the full reform of the Autumn Statement and White Paper has been implemented.

6. The public expenditure chapter of the Autumn Statement, in this expanded form, would be the first public announcement of the plans, as now, but would include more of the background material previously in the White Paper, enabling a fuller and more informed discussion of the new plans in November. Our intention is that



the TCSC's main examination of the Treasury's stewardship of public expenditure planning and control would be on the basis of the Autumn Statement. This is reflected in our proposal (currently under discussion through the usual channels) to allow the TCSC longer to produce its report on the Autumn Statement, so that it would come out just before Christmas, with a two-day debate immediately Parliament returns. We expect departmental select committees to examine individual chapters of the White Paper, when it is published, and logically the TCSC should concentrate on the Chancellor's departments at that stage.

### The Public Expenditure White Paper

7. The White Paper, which for the next two years will continue to be published in January, will not contain any presentation of general public expenditure policy: the focus will be on the separate departmental chapters, with a "statistical supplement" containing the remainder of the material now in Volume 1 and the index to the departmental chapters.

8. At Annex C I attach a mock-up of the first chapter of the "statistical supplement", prepared by Mr Graham White (GEP3) which incorporates the remaining material from Chapter 1 of this year's Volume 1 (the analyses of spending by function and by economic category, including civil service running costs and manpower figures) and Chapter 2 "Additional analyses". Much of the material is simply a more detailed presentation of the figures announced in the Autumn Statement. This degree of detail cannot be produced in time for the Autumn Statement, because it requires a full update of the FIS database which cannot be completed in the short time between Survey decisions and publication of the Autumn Statement.

9. The only completely new information since the Autumn Statement will be more up to date estimates of outturn for the current year and the running costs and manpower plans. It will also be necessary to consider the treatment of any major policy announcements involving changes in departmental spending programmes between the Autumn Statement and the White Paper. In

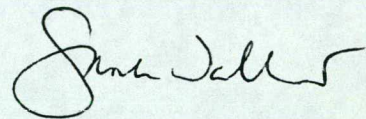
the past these would have been mentioned in Chapter 1 of Volume 1: in future they will be mentioned in the relevant departmental chapter and perhaps in an introductory section of the "statistical supplement". The TCSC requested, in their report on the 1988 PEWP, explanations of differences between estimated outturn and plan for the current year, and these will appear at the end of the first chapter of the statistical supplement. As with the Autumn Statement, a summary of progress on value for money would not fit well within the summary volume. We will rely instead on continuing to press departments to improve the information on output and performance in their own chapters and ensure that good stories are highlighted in briefing.

10. The decision to split Volume II of the White Paper into a number of separate booklets has implications for its appearance and its price. The price for a set of volumes is likely to be much higher than the price of this year's White Paper, as Mr Turnbull warned the TCSC when they made the suggestion during their enquiries into this year's White Paper: nearly £80, compared with £22 for this year's Volume II, for all the volumes separately, although HMSO suggest that they might offer a discount of 40-50 per cent to those buying a complete set. This price could be reduced further by putting departments together into larger volumes (say, all the territories together, or DTI, agriculture and employment) but this would defeat the aim of allowing someone who is only interested in one department to buy its chapter alone. Our provisional view of the contents of the booklets is shown at Annex D: it is similar to the current arrangement of Estimates booklets.

11. Splitting Volume II also creates logistical problems for HMSO: even the £80 price quoted above assumed only black and white printing - the blue currently used would increase the price. However, we are exploring with them the possibility of retaining the colour and offsetting the cost by allowing more time for printing and binding after the content has been finalised. This would mean a publication date around the end of January. In view of the lower-key presentation and the proposed parliamentary arrangements mentioned in paragraph 6 above, which would mean we would no longer need to allow time for a TCSC enquiry and a public expenditure debate between publication and the Budget, we believe that this kind of delay would be acceptable.

Conclusion

12. If you are content with the suggested format for the Autumn Statement, we will prepare the information on this basis. It will of course be possible to make some alterations to the format nearer the time when the results of the Survey are clear, to reflect any change of emphasis in the presentation, but it will be very useful particularly in view of the greater length of this year's publication, to have the general format settled well in advance. Arrangements for publication and publicity for the announcement of the new plans will also need to be considered then. Final decisions on the form of the White Paper can also be made nearer the time, but it would be helpful to have your reactions to the new, low-key presentation and the possible delay to the publication date now.



S P B WALKER

Extract from 'Financial Reporting to Parliament' (Cm 375)

12. But this need not delay action on the main proposals in paragraph 6 above. The Government proposes to include in the 1988 Autumn Statement additional information on departmental plans in real terms, comparisons of outturn with previous plans for the expenditure totals, and debt interest in order to make it a more complete account of the outcome of the Survey. It also proposes next year to present the existing departmental chapters in the current Volume II of the White Paper as separate booklets in January; to continue to improve the read-across to the Supply Estimates; and to release the remainder of the analytical material now in Volume I in some suitable way. The policy material of Chapter 1 which was moved to the Autumn Statement would not be repeated. This would be followed after two years by moving the departmental reports to March alongside the Estimates.

# 1 Public expenditure plans

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## Main points

**1.01** Over the next three years, government spending will continue to fall as a proportion of national income. It is planned to fall further than was envisaged in the last public expenditure White Paper. By 1990–91, the proportion will be lower than at any time since the early 1970s.

**1.02** The plans for government spending should allow growth in real terms of an average of about  $1\frac{1}{4}$  per cent a year, well below the expected growth of national income.

**1.03** The public expenditure planning totals have been set at £156.8 billion for 1988–89, £167.1 billion for 1989–90 and £176.1 billion for 1990–91. These totals include Reserves to meet unforeseen requirements of £3.5 billion, £7 billion and £10.5 billion respectively; the Reserves in the two later years are higher than in any previous plans.

**1.04** Compared with the plans published in the public expenditure White Paper, extra resources have been allocated to the Government's priority services, including health, education, law and order, defence and inner cities. Provision for social security and local authority current spending has also been increased.

**1.05** Extra provision of about £1½ billion in 1988–89 and 1989–90 has been made for capital spending, including large increases for the nationalised industries and for housing and education.

**1.06** The reductions in the burden of debt interest, in unemployment and in subsidies to industry have helped to make room for these increases within a declining path for government spending in proportion to national income.

**1.07** The latest forecast of the planning total in the current year, 1987–88, is £147.6 billion, £1 billion lower than was planned and published in the public expenditure White Paper.

Chart 1.1 General government expenditure as a percentage of GDP

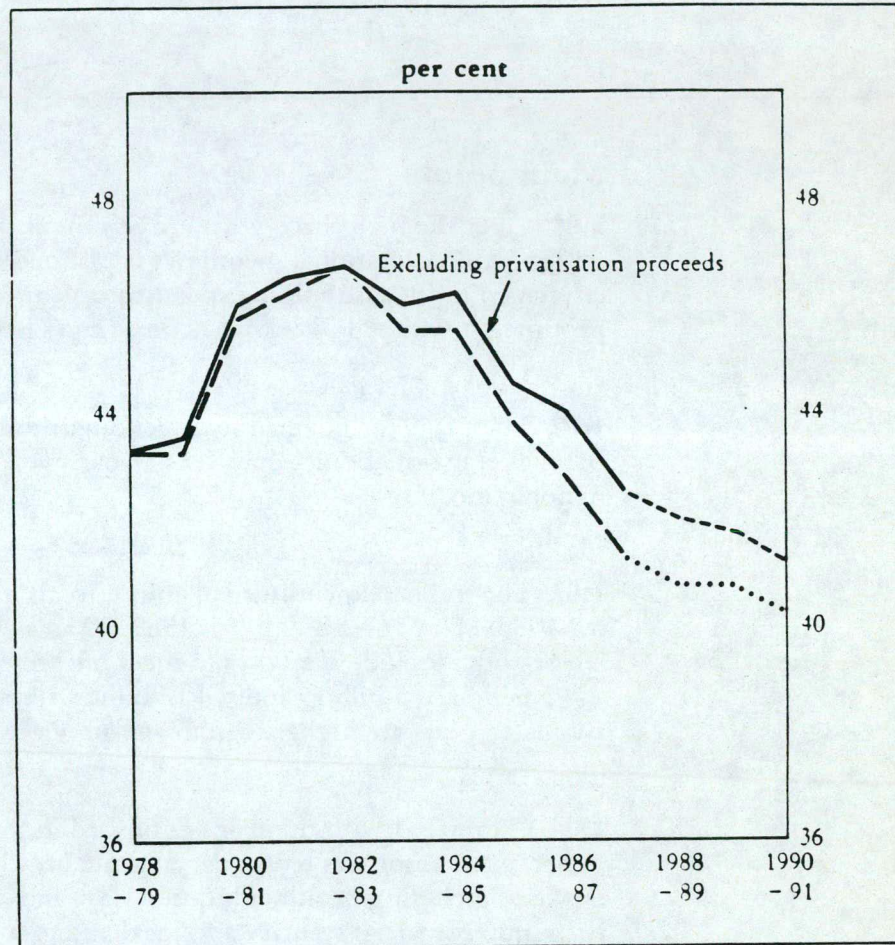


Table 1.1 General government expenditure, excluding privatisation proceeds, as a percentage of GDP: plans and outturn

	per cent							
	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91
							plans	outturn and estimated outturn
March 1984 FSR <sup>1</sup>	46	45	44	43				
March 1985 FSR <sup>1</sup>	46	46½	45¾	44	43			
January 1986 White Paper	46½	46½	45	44	43	42½		
January 1987 White Paper	46½	46½	44¾	44½	44	42¾	42½	
This Autumn Statement	46	46½	44½	44	42½	42	41¾	41½

<sup>1</sup>Financial Statement and Budget Report.

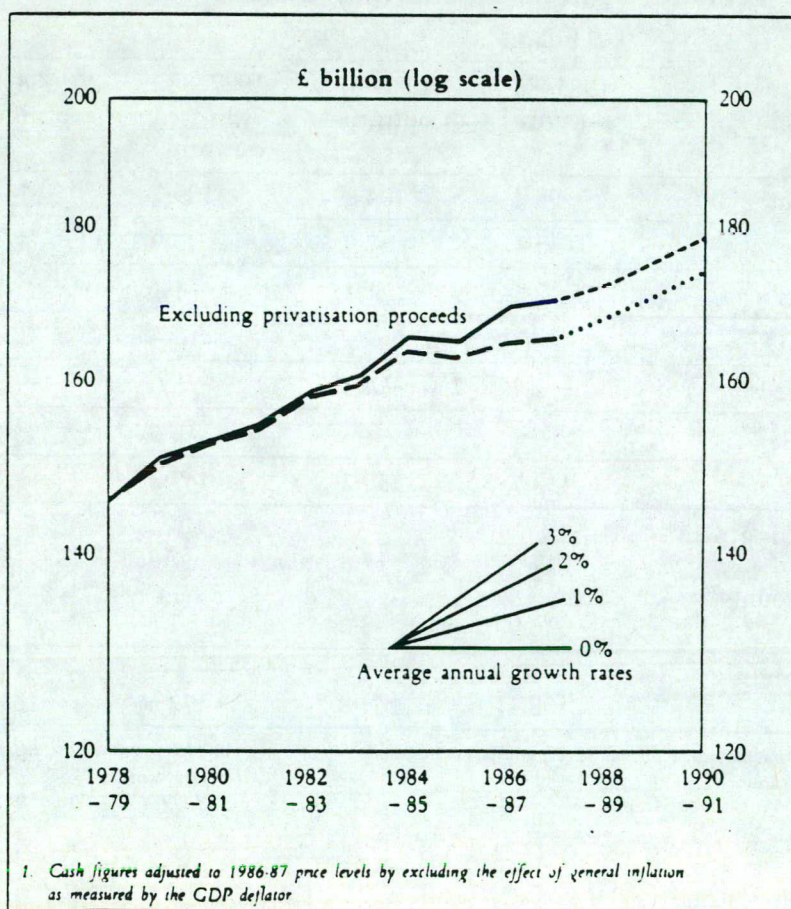
### Introduction

**Aims and objectives 1.08** The Government's plans for public spending form an integral part of its economic policy and, in particular, the Medium Term Financial Strategy (MTFS) which aims to reduce inflation and to maintain the conditions for sustained growth, the creation of jobs and rising living standards.

**1.09** Within that framework the Government's objective for public spending is to hold its rate of growth below the growth of the economy as a whole and thus to reduce public spending as a proportion of national income. This will enable a low level of borrowing to be combined with reductions in the burden of taxation, so encouraging enterprise and efficiency and thus the growth of output and employment.

**1.10** This objective is expressed in terms of general government expenditure (GGE) as a ratio to Gross Domestic Product (GDP). GGE, which is also used for the formulation of macro-economic policy and the MTFS, represents the combined spending of central and local government, including debt interest, and is a comprehensive measure of the amount which has to be raised by taxation or borrowing. To bring about this objective, which is a medium-term one to be achieved over a number of years, the Government sets a planning total which, if secured, will in turn deliver the wider objective. The planning total and the departmental plans within it are determined in cash, as are the various control totals for 1988-89 which are derived from it, such as Supply Estimates, cash limits, running costs limits and external financing limits of public corporations.

**Chart 1.2 General government expenditure in real terms**



## Public spending and national income

**1.11** The ratio of general government expenditure to GDP has been falling since 1982–83 and the plans set out in this White Paper will ensure that this downward trend continues. This is shown in Chart 1.1. Excluding privatisation proceeds the ratio has declined from a peak of 46 $\frac{3}{4}$  per cent in 1982–83 to 42 $\frac{1}{2}$  per cent in 1987–88 and is expected to decline further to 41 $\frac{1}{4}$  per cent in 1990–91, the lowest levels since 1972–73. Table 1.1 shows how these ratios compare with plans published in previous years.

## Public spending in real terms

**1.12** Chart 1.2 shows the trend of public spending in real terms. The average real growth in general government expenditure excluding privatisation proceeds in the four years from 1986–87 to 1990–91 is expected to be 1 $\frac{1}{4}$  per cent a year. This compares with growth averaging almost 3 per cent a year in the decade up to 1978–79, around 2 $\frac{1}{4}$  per cent in the four years from 1978–79 to 1982–83 and around 1 $\frac{3}{4}$  per cent in the four years from 1982–83 to 1986–87.

## The planning total

**1.13** The new planning totals and the differences between the planning total and general government expenditure are shown in Table 1.2. The main difference between the two aggregates is debt interest (see paragraph 1.57). Table 1.3 shows how the new planning totals compare with plans published in previous years.

**Table 1.2 Public expenditure totals**

	£ billion					
	1985–86 outturn	1986–87 outturn	1987–88 estimated outturn	1988–89 plans	1989–90 plans	1990–91 plans
Central government <sup>1</sup>	98.4	104.6	109.7	114.2	120.2	124.7
Local authorities <sup>1</sup>	35.4	37.9	40.9	42.6	44.0	45.2
Public corporations	2.6	1.1	1.1	1.4	.9	.6
Reserve	—	—	—	3.5	7.0	10.5
Privatisation proceeds	-2.7	-4.4	-5.0	-5.0	-5.0	-5.0
Adjustment <sup>2</sup>	—	—	.6	—	—	—
<b>Planning total</b>	<b>133.7</b>	<b>139.2</b>	<b>147.3</b>	<b>156.8</b>	<b>167.1</b>	<b>176.1</b>
General government gross debt interest <sup>3</sup>	17.7	17.6	17.8	18.0	18.0	18.0
Other national accounts adjustments <sup>4</sup>	6.9	8.0	7.5	8.0	8.0	8.0
<b>General government expenditure</b>	<b>158.2</b>	<b>164.8</b>	<b>172.6</b>	<b>183.0</b>	<b>193.2</b>	<b>202.1</b>

<sup>1</sup>Central and local government finance for public corporations is included in the public corporations line.

<sup>2</sup>An adjustment for the difference between the Treasury's overall view of likely outturn for 1987–88 and the sum of the other items shown.

<sup>3</sup>1988–89, 1989–90 and 1990–91 figures rounded to nearest £1 billion.



Table 1.3 Public expenditure planning total<sup>1</sup>; plans and outturns

	£ billion								
	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	1990-91
March 1981 White Paper (Cmnd 8175) <sup>2,3</sup>	110.0	113.6							
March 1982 White Paper (Cmnd 8494) <sup>3</sup>	114.7	120.7	127.7						
February 1983 White Paper (Cmnd 8789)	<b>113.1</b>	119.6	126.5	132.3					
February 1984 White Paper (Cmnd 9143)	<b>113.5</b>	<b>120.4</b>	126.5	132.1	136.8				
January 1985 White Paper (Cmnd 9428)	<b>113.5</b>	<b>120.3</b>	<b>128.2</b>	132.1	136.8	141.6			
January 1986 White Paper (Cmnd 9703) <sup>3</sup>	<b>113.4</b>	<b>120.3</b>	<b>129.6</b>	<b>134.2</b>	139.1	143.9	148.7		
January 1987 White Paper (Cm 56)	<b>113.5</b>	<b>120.3</b>	<b>129.8</b>	<b>133.6</b>	<b>140.4</b>	148.6	154.2	161.5	
This Autumn Statement	<b>113.5</b>	<b>120.3</b>	<b>129.8</b>	<b>133.7</b>	<b>139.2</b>	<b>147.3</b>	156.8	167.1	176.1

<sup>1</sup>Public expenditure planning total as defined in Cm 56.<sup>2</sup>Converted into cash as explained on page 103 of Cmnd 8494 Volume II.<sup>3</sup>Including changes announced in the Budget Statements preceding the years in question.

**1987-88 outturn** 1.14 The latest forecast of the planning total for the current year, 1987-88, is £147.6 billion. This is £1 billion lower than was planned and published in the White Paper. The reduction can be attributed mainly to increases in the capital receipts of local authorities and new towns.

### The new plans

1.15 Table 1.4 sets out the revised spending plans and the changes since the public expenditure White Paper for each departmental programme. Further information is contained in Tables 1.7 to 1.11 at the end of this chapter. The following paragraphs briefly describe the new plans.

**Defence** 1.16 Provision for defence is being increased by about £230 million in 1988-89 to some £19.2 billion, and will rise to some £20.6 billion in 1990-91. The increase over plan in the current year is a result of the carry forward of capital underspending from 1986-87 under the end-year flexibility scheme.

1.17 The UK's defence capabilities will continue to benefit from the substantial real increase in provision since 1978-79. Equipment orders since 1979 have included 60 major ships, 7 regiments of Challenger tanks and over 500 aircraft for the Royal Air Force.

**Foreign and Commonwealth Office (Diplomatic Wing)** 1.18 A net reduction on this programme has been made possible largely by a fall in the estimated cost of the FCO's overseas operations resulting from movements in overseas prices and exchange rates. The revised provision includes additions for the current expenditure of the BBC External Services for the next three year period.

## 1 Public expenditure plans

**Table 1.4 Public expenditure<sup>1, 2</sup>**

	£ million		
	Latest estimates of outturn		
	1986-87 outturn	1987-88 estimated outturn	Change 1986-87 to 1987-88
Ministry of Defence	18 149	18 950	800
FCO—Diplomatic wing	631	700	70
FCO—Overseas Development Administration	1 294	1 330	30
European Communities	1 088	1 400	310
Ministry of Agriculture, Fisheries and Food <sup>4</sup>	1 865	2 130	270
Department of Trade and Industry	2 097	920	- 1 170
Export Credits Guarantee Department	259	160	- 100
Department of Energy	- 191	280	470
Department of Employment	3 877	4 100	230
Department of Transport	4 709	4 800	90
DOE—Housing	2 605	2 520	- 80
DOE—Other environmental services	3 915	4 020	110
Home Office	5 161	5 790	630
Legal departments <sup>5</sup>	673	880	200
Department of Education and Science	15 691	17 170	1 480
Office of Arts and Libraries	817	890	80
DHSS—Health and personal social services	17 918	19 560	1 640
DHSS—Social security	44 442	46 400	2 000
Scotland	7 736	8 220	480
Wales	3 057	3 310	260
Northern Ireland	4 638	4 890	250
Chancellor's departments	2 067	2 310	240
Other departments	1 318	1 450	130
Reserve	0	0	0
Privatisation proceeds	- 4 403	- 5 000 <sup>6</sup>	- 600
Adjustment <sup>7</sup>	0	350	350
<b>Planning total</b>	<b>139 413</b>	<b>147 600</b>	<b>8 200</b>
General government gross debt interest	17 409	17 800	400
Other national accounts adjustments	8 298	7 400	- 900
<b>General government expenditure</b>	<b>165 120</b>	<b>172 800</b>	<b>7 700</b>

<sup>1</sup> The rounding and other conventions used in this table and Tables 1.7, 1.8 and 1.9 are as follows: plan figures are rounded to the nearest £10 million, except for social security (in this table and Table 1.7), the planning and spending authority totals (except public corporations) and general government expenditure which are rounded to the nearest £100 million. In the case of general government expenditure, this does not imply accuracy to this degree. Debt interest and other national accounts adjustments for future years are rounded to the nearest

£ billion. Outturn figures for 1987-88 have also been rounded to reflect their provisional nature. The changes and totals are based on the unrounded figures. They may differ therefore from the changes and sums of the rounded figures.

<sup>2</sup> In this and Tables 1.7, 1.8 and 1.9 some figures may be subject to detailed technical amendment before publication of the 1988 public expenditure White Paper.

# 1 Public expenditure plans

New plans			Change from January 1987 White Paper <sup>3</sup>			
1988-89 plans	1989-90 plans	1990-91 plans	1987-88	1988-89	1989-90	
19 210	19 960	20 560	170	230	490	Ministry of Defence
720	740	760	0	-10	-10	FCO—Diplomatic wing
1 430	1 500	1 550	-30	30	60	FCO—Overseas Development Administration
800	1 470	1 320	520	350	400	European Communities
2 210	2 330	2 500	-120	-180	-160	Ministry of Agriculture, Fisheries and Food <sup>4</sup>
1 230	1 190	1 140	-200	260	220	Department of Trade and Industry
130	140	120	0	20	90	Export Credits Guarantee Department
120	-190	-420	360	160	50	Department of Energy
4 250	4 300	4 360	80	50	0	Department of Employment
5 150	5 110	5 210	-340	60	-30	Department of Transport
3 020	3 000	3 040	-700	-10	-100	DOE—Housing
3 820	4 000	4 110	190	-60	90	DOE—Other environmental services
6 060	6 310	6 480	260	360	450	Home Office
970	1 040	1 100	0	30	30	Legal departments <sup>5</sup>
17 960	18 630	19 160	580	630	800	Department of Education and Science
900	940	970	70	50	60	Office of Arts and Libraries
20 680	21 670	22 650	430	810	920	DHSS—Health and personal social services
48 500	51 200	53 700	400	1 000	1 900	DHSS—Social security
8 510	8 600	8 770	260	400	380	Scotland
3 450	3 550	3 660	120	150	160	Wales
5 130	5 310	5 470	20	90	110	Northern Ireland
2 460	2 600	2 690	100	160	180	Chancellor's departments
1 640	1 660	1 730	-90	10	-40	Other departments
3 500	7 000	10 500	-3 500	-2 000	-500	Reserve
-5 000	-5 000	-5 000	0	0	0	Privatisation proceeds
0	0	0	350	0	0	Adjustment <sup>7</sup>
<b>156 800</b>	<b>167 100</b>	<b>176 100</b>	<b>-1 000</b>	<b>2 600</b>	<b>5 600</b>	<b>Planning total</b>
18 000	18 000	18 000	-300	+100	-800	General government gross debt interest
8 000	8 000	8 000	+500	+600	+600	Other national accounts adjustments
<b>183 000</b>	<b>193 200</b>	<b>202 100</b>	<b>-800</b>	<b>3 300</b>	<b>5 400</b>	<b>General government expenditure</b>

<sup>3</sup> Plans as set out in the last public expenditure White Paper (Cm 56) adjusted for minor changes of classification and allocation.

<sup>4</sup> Includes Intervention Board for Agricultural Produce and Forestry Commission.

<sup>5</sup> Legal departments comprise: the Lord Chancellor's Department, the Northern Ireland Court Service, the Crown Prosecution Service, the Serious Fraud Office and the Crown Office.

<sup>6</sup> This assumes the full proceeds of the first instalment of the BP share offer. If some of the BP shares were purchased by the Issue Department of the Bank of England and were still held by it at the end of the financial year, the effect would be to reduce privatisation proceeds, and increase the planning total, general government expenditure, and the PSBR by the same amount.

<sup>7</sup> An adjustment for the difference between the assessment of the likely outturn for 1987-88 and the sum of the other items shown.

**Overseas Development Administration** 1.19 The net aid programme for 1988–89 is set at £1,305 million. The plans provide for an increase of 15 per cent in cash terms between 1987–88 and 1990–91, significantly faster than projections of general inflation. If the Chancellor of the Exchequer's proposals to alleviate the burden of debt on sub-Saharan African countries are implemented, additional resources will be made available to the Aid programme.

1.20 About 60 per cent of the programme is spent on bilateral aid, including both financial aid and technical cooperation, to over 120 countries. Over three quarters goes to countries with an annual income per head of \$795 or less, many of which are in the Commonwealth. The main focus is on long term development, but emergency relief, including food aid for countries suffering from famine, is also provided. 40 per cent of the programme is provided as multilateral aid through channels such as the World Bank Group, the European Community and various United Nations agencies. Increasingly, efforts focus on assisting developing countries, particularly in sub-Saharan Africa, to undertake economic policy reforms to provide for sustainable growth.

**European Communities** 1.21 The latest projection of the United Kingdom's net payments to the European Community Institutions assumes a continuance of the 1.4 per cent VAT ceiling. The profile shows a drop in payments in 1988–89 followed by an increase in 1989–90, mainly because the UK is expected to benefit from an exceptionally large abatement (£1750 million) during 1988. The changes to the projections since the White Paper result mainly from a fall in our projected share of agricultural receipts and an increase in our share of gross contributions, reflecting higher customs duties and levies and a revised forecast of the UK's VAT base.

**Agriculture** 1.22 Spending on agriculture is largely determined by the Common Agricultural Policy (CAP) of the European Community. The Government's objective in Community negotiations is to bring spending under control while continuing to foster an efficient and competitive agricultural industry, taking account of the interests of producers, consumers and the rural economy and environment.

1.23 The provision for market support reflects the achievements of the December 1986 Agriculture Council under the UK presidency and the Government's commitment to achieving reform of the CAP.

1.24 Increases compared with the last White Paper of approximately £40 million a year are planned for domestic spending, principally to reflect the cost of the farming and rural enterprise package designed to ease the transition to a more market oriented CAP, and increased payments for flood defence.

**Trade and Industry** 1.25 Expenditure is planned to decline over the years to 1990–91 mainly as a result of the increased ability of the nationalised industries sponsored by the department to meet their financing requirements from their own resources. Since the last White Paper additions have been made for increased expenditure on programmes to encourage enterprise and wealth creation.

These include regional, inner cities and business development programmes. Additions have also been made for launch aid for the new Airbus A330/340 amounting to £450 million in total, of which £400 million will be spent in the next three years.

### **Export Credit Guarantee Department**

**1.26** The changes to the plans reflect the latest estimates of the cost of interest support and tender to contract cover.

### **Energy**

**1.27** The departmental totals include both departmental expenditure and the external finance for the energy industries (which is negative in some years). There are increases to reflect growth in essential safety related work by the Atomic Energy Authority on decommissioning and nuclear waste management, the costs of moving to new Departmental accommodation and changes in estimates of payments under the redundant mineworkers' payments scheme. There are also increases in the external financing requirements of the electricity industry in England and Wales (see paragraphs 1.59 and 1.60).

### **Employment**

**1.28** There are a number of broadly balancing increases and reductions within the new totals. There is increased provision for support for tourism, Jobclubs, the Health and Safety Executive, adult training (as a result of the employment measures announced in January) and the Youth Training Scheme (reflecting the withdrawal of income support for school leavers). The Job Release Scheme and New Workers Scheme will be closed for applications from 31 January 1988.

### **Transport**

**1.29** The department's spending is concentrated on infrastructure, and additional resources have been provided for a programme of bridge maintenance. Compared with 1987-88 forecast outturn, provision for spending on national roads will increase by 9 per cent by 1990-91. Provisional plans for 1988-89 include completion of 26 major schemes adding 97 new route miles to the network. Schemes on average produce time savings and safety benefits worth nearly double their costs.

**1.30** Provision for local authorities' roads capital expenditure should enable 70 to 80 major scheme completions a year, many of which produce benefits worth more than three times their costs.

### **Housing**

**1.31** Most expenditure on housing is by the private sector. Nevertheless gross capital public expenditure is estimated at £3.7 billion in 1987-88 and is planned to rise to £3.8 billion in 1988-89 and 1989-90, increases of £380 million in 1988-89 and £280 million in 1989-90.

**1.32** The increased gross provision for 1988-89 includes £735 million for the Housing Corporation. This will be supplemented by private sector finance (following the pilot programme in 1987-88) to maximise the amount of housing that can be provided from the available public sector resources. Local authorities' investment is planned to rise to £3,048 million, allowing them to increase their investment in the renovation of their own housing stock. Within this, Estate Action's budget will be increased to £140 million. In addition there is new provision for Housing Action Trusts to tackle some of the worst areas of run down local authority housing.

1.33 This level of gross capital investment can be sustained at a net capital public expenditure cost of only £1.8 billion because of the success of the Right to Buy in generating receipts from sales of homes to their tenants.

### **Other environmental services**

1.34 This programme covers a wide range of environmental economic and recreational services. Part of this spending is undertaken by local authorities according to local priorities. The programme also includes spending by nationalised industries (British Waterways Board and Regional Water Authorities), by public corporations (Urban Development Corporations and New Towns) and by other sponsored bodies.

1.35 Substantially increased expenditure on Urban Development Corporations and increases for countryside, recreation, heritage and environmental research programmes are offset by higher new town receipts. Extra local authority receipts have also made possible an increase in gross capital provision for local environmental services. In addition £20 million of extra funds has been provided to the National Heritage Memorial Fund in 1987-88.

### **Home Office and Legal Departments**

1.36 Home Office provision in all years has been increased to finance an accelerated expansion of the prison building programme. The existing programme of 20 new prisons, of which four are in use, is to be accelerated and 4,200 additional places will be provided by 1993. It is presently planned that these new places will be provided at six further new prisons and in additional accommodation at existing prisons. Provision for local authority expenditure, principally on the police, has also been increased substantially.

1.37 Legal departments' provision has been increased mainly to cover the cost of a larger court building programme and a permanent 'payments on account' scheme for lawyers; the plans also cover the increased costs of the Crown Prosecution Service and the cost of setting up the Serious Fraud Office.

### **Education and Science**

1.38 Total spending of about £18 billion is planned for 1988-89, most of it by local authorities. For schools, extra provision has been made for the cost of introducing the national curriculum and for improvements to school buildings. The programme also includes extra provision for the universities, which will assist them with their restructuring plans, and for science.

1.39 Participation in higher education is expected to go on rising from its present peak level. The number of first degrees awarded is now expected to be around 135,000 by 1990, more than 25 per cent up on a decade earlier. In the schools, the level of expenditure per pupil has risen by some 30 per cent in real terms since the beginning of the decade. The Government's education reforms will help to ensure that full value is obtained for this expenditure.

### **Arts and Libraries**

1.40 Additions have been made for incentive funding and for increased estimates of the cost of the British Library new building project. Increased provision has also been made for local authority expenditure on museums, galleries and libraries.

### **Health and personal social services**

1.41 Total spending on health and personal social services in England is planned to increase from about £19.6 billion in 1987-88 to £22.7 billion in 1990-91.

**1.42** Additional provision has been made for the hospitals and community health services. Health authorities will have available extra cash released by land sales and by their continuing cost improvement programmes. The latter are expected to yield £150 million in 1987–88 (on top of the £500 million achieved prior to that). In addition, health authorities will have available extra cash generated by a new programme for increasing hospital income from non-NHS sources. Provision for the Family Practitioner Services allows for higher forecast demand and for further service improvements. There is also increased provision for local authority spending on personal social services.

**1.43** The Health Service has continued to give priority to areas of specific need. Additional resources of £50 million are being made available in 1988–89 for tackling AIDS. The initiative launched a year ago to reduce waiting lists and times, which will lead to the treatment of 100,000 additional patients in 1987–88, has been extended for a further 2 years.

### **Social security**

**1.44** The new plans reflect the latest estimates of benefit expenditure over the Survey period. They reflect the decision announced last May to include within income-related benefits the average cost to claimants of paying 20 per cent of rates. The provision also takes account of the statement on benefits by the Secretary of State on 27 October 1987 and allows for further upratings of benefits in April 1989 and April 1990. For the purpose of these estimates, the number of unemployed (GB, excluding school-leavers etc) is assumed to average 2.7 million in 1987–88 and 2.6 million in 1988–89, 1989–90, and 1990–91. The RPI is assumed to rise by 4½ per cent in the year to September 1988 (for the upratings in April 1989) and by 3¼ per cent in the year to September 1989 (for the upratings in April 1990).

**1.45** About half of the budget (nearly £24 billion in 1988–89) will be spent on the elderly. Payments to families and to the sick and disabled will each account for about one sixth of total spending, and to the unemployed rather less than one sixth. A new system of income-related benefits will be introduced in April 1988: these represent a more coherent system of benefits that is simpler to understand and better targeted. Public expenditure on these benefits is expected to be £13 billion in 1988–89, £½ billion more than would have been spent under the existing system. Over 14½ million claims to benefit were handled in 1986–87, and 950 million payments were made to individuals.

### **Scotland, Wales and Northern Ireland**

**1.46** The net changes in these programmes mainly reflect the effects of changes in comparable programmes in England. The Secretaries of State will allocate this expenditure taking account of local factors. The breakdown of figures between central Government, local authorities, and public corporations, is based on previous patterns of expenditure and may be varied except in the case of local authority relevant expenditure in 1988–89, where the provision for Scotland and Wales is as announced in July in the RSG settlement for that year. For the later years the Scottish and Welsh local authority relevant figures reflect changes in the comparable totals for England.

**Chancellor's departments** 1.47 Additional resources have been provided for the Revenue departments to deal with increases in workload and to strengthen controls against drug smuggling. A third of the overall increase reflects changes in the estimates of relief on life assurance premiums and mortgage interest to non-taxpayers.

**Other departments** 1.48 This line in the tables covers a miscellany of minor departments and programmes, civil superannuation costs, and the Property Services Agency. The revised plans provide for additional expenditure on maintenance of the Government estate which should enable the PSA to reduce the present backlog of major repairs over the next three years.

**Science and technology** 1.49 Additional provision for spending on science and technology is included in several of the programmes above. Among the increases in provision are additions for universities, Research Councils, launch aid, and other science and technology programmes. Spending on civil science and technology will rise by some £200 million a year, including increases already announced, compared with the plans in Cm 56.

**Capital spending** 1.50 Extra provision of about £1½ billion in 1988–89 and 1989–90 has been made for capital spending, including large increases for the nationalised industries and for housing and education.

### Local authorities

**Relevant** 1.51 Local authority relevant public expenditure accounts for over three quarters of total local authorities' expenditure. It comprises current spending on a wide range of services, and contributions to housing revenue accounts in England and Wales.

1.52 It is forecast to exceed provision in Cm 56 by £1.2 billion in 1987–88. From the estimated outturn for 1987–88, the provision set for the three forward years shows annual increases of 3.5 per cent, 3.3 per cent and 3.0 per cent. The allocation to services is based broadly on local authorities' budgets for 1987–88.

1.53 Aggregate Exchequer Grant to local authorities for 1988–89 has been set at £17.4 billion, as announced by the Secretaries of State for the Environment, Scotland and Wales on 23 July.

**Other current** 1.54 Local authorities' other current expenditure consists largely of Housing Benefit and Student Awards which are supported by specific grants from central Government.

1.55 The plans reflect revised estimates of the costs of Housing Benefit. They take into account the proposed changes in benefit entitlement announced by the Secretary of State for Social Services on 27 October.

**Capital** 1.56 Local authority gross capital spending in Great Britain in 1987–88 is forecast to be £7.1 billion. After allowing for capital receipts, the net cost of programmes is forecast to be £3.7 billion.



1.57 Gross provision for spending in 1988–89 has been increased by £0.6 billion to £6.9 billion and gross provision of £6.8 billion and £6.7 billion has been made for 1989–90 and 1990–91. Within this provision the amount issued as allocations will take account of the expected use by local authorities of the spending power available to them from other sources, notably capital receipts.

1.58 For the main local authority capital cash limit in England, allocations of over £2.6 billion will be issued in 1988–89. Of the total, housing authorities will receive £1.3 billion. Education allocations will rise to £369 million in 1988–89, 24 per cent higher than in 1987–88, increasing the scope for work on school improvements.

### Nationalised industries

1.59 External financing limits for nationalised industries in 1988–89 are listed in Table 1.5. In total there is an increase of £340 million from provision in Cm 56. This reflects a number of changes but the main additions are for the electricity industries in England and Wales and Scotland. Investment plans have been substantially increased, particularly in the electricity industry, which is embarking on a major programme of building new capacity, and the water industry. The plans also allow for additional investment by British Rail, London Regional Transport and the Post Office to improve the quality of service. Total nationalised industries' investment is expected to rise from about £4½ billion in 1987–88 to around £6 billion in 1990–91.

Table 1.5 External financing limits for the nationalised industries 1988–89

	£ million <sup>1</sup>
British Coal	670
Electricity (England and Wales)	-1 040
North of Scotland Hydro-Electric Board	-2
South of Scotland Electricity Board	131
British Steel Corporation	-100
Post Office	-97
National Girobank	-8
British Railways Board	753
British Waterways Board	47
Scottish Transport Group	2
British Shipbuilders	80
Civil Aviation Authority	21
Water (England and Wales)	10
London Regional Transport	221
<b>Total</b>	<b>687</b>

<sup>1</sup> Figures are shown rounded to the nearest £1 million.

**1.60** Despite the substantial level of investment planned, total provision for nationalised industries' external finance is expected to decline in 1989–90 and 1990–91, with net repayments of debt overall by the end of the decade (Table 1.9). This trend is in line with the Government's objective of minimising the burden which the industries place on the taxpayer, and strengthening them as businesses earning an adequate rate of return. External finance for nationalised industries has already been significantly reduced, from nearly £3 billion in 1979–80 to an estimated £590 million in 1987–88. The Government will continue to require improvements in the industries' profitability and further progress in reducing costs and increasing productivity by setting demanding financial targets and performance aims.

### **Other public corporations**

**1.61** Provision is included under this heading for a large number of public corporations including Urban Development Corporations (UDCs), the Scottish and Welsh Development Agencies, the Northern Ireland Electricity Service, new towns and the Northern Ireland Housing Executive. Substantial increases to provision have been made for UDCs. These and other increases are offset in 1988–89 by increased estimates of receipts by new towns.

### **Reserves**

**1.62** The plans include Reserves of £3.5 billion in 1988–89, £7 billion in 1989–90, and £10.5 billion in 1990–91. These will be available to meet unforeseen requirements including estimating changes. The Reserves for the two later years are higher than in any previous plans.

### **Privatisation**

**1.63** The estimate of net proceeds from the privatisation programme is £5 billion a year, the same as in Cm 56. These proceeds are netted off the planning total and general government expenditure. However, in order to show the underlying trends in expenditure more clearly, Charts 1.1 and 1.2 show growth rates and ratios to national income both including and excluding privatisation proceeds.

### **Debt interest**

**1.64** General government gross debt interest is forecast to be about £18 billion in each of the three years 1988–89 to 1990–91 (see Table 1.6). Partly as a result of the reduction in government borrowing in recent years, debt interest has declined as a proportion of GDP from 5½ per cent in 1981–82 to 4½ per cent in 1987–88. It is expected to fall to 3½ per cent by 1990–91.

Table 1.6 General government debt interest

	£ billion					
	1985-86 outturn	1986-87 outturn	1987-88 estimated outturn	1988-89 forecast	1989-90 forecast	1990-91 forecast
General government gross debt interest <sup>1</sup>	17.1	17.6	17.8	18.0	18.0	18.0
General government interest and dividend receipts	6.4	6.0	5.5	5.0	5.0	5.0
General government net debt interest	11.2	11.6	12.3	13.0	13.0	13.0
General government gross debt interest as a percentage of GDP	5	4½	4¼	4	3¾	3½
General government net debt interest as a percentage of GDP	3	3	3	2¾	2½	2½
<sup>1</sup> Of which: Servicing of indexed securities (gilts plus national savings)	1,424	952	1,300	1,300	1,300	1,200

### Further information

**1.65** Tables 1.7 to 1.9 show the new plans broken down to show spending by three spending authorities: central government, local authorities and public corporations (including nationalised industries). Tables 1.10 and 1.11 show expenditure by department, from 1978-79 to 1990-91, in cash and real terms.

### The public expenditure White Paper

**1.66** Full details of departments' spending plans, and more detailed analyses of total spending, will be published in the Public Expenditure White Paper in January 1988.

Table 1.7 Central government spending<sup>1</sup>

	£ million								
	Latest estimates of outturn			New plans			Change from January 1987 White Paper		
	1986-87 outturn	1987-88 estimated outturn	Change 1986-87 to 1987-88	1988-89 plans	1989-90 plans	1990-91 plans	1987-88	1988-89	1989-90
Ministry of Defence	18 161	18 950	790	19 210	19 960	20 560	170	230	490
FCO—Diplomatic wing	631	700	70	720	740	760	0	-10	-10
FCO—Overseas Development Administration	1 270	1 310	40	1 400	1 470	1 520	-10	30	60
European Communities	1 088	1 400	310	800	1 470	1 320	520	350	400
Ministry of Agriculture, Fisheries and Food	1 667	1 940	280	1 990	2 110	2 280	-120	-190	-180
Department of Trade and Industry	1 844	1 050	-790	1 250	1 250	1 190	80	280	280
Export Credits Guarantee Department	259	160	-100	130	140	120	0	20	90
Department of Energy	907	590	-320	510	460	430	90	40	30
Department of Employment	3 757	3 980	220	4 110	4 170	4 210	80	40	-10
Department of Transport	1 260	1 410	150	1 460	1 490	1 530	40	30	40
DOE—Housing	1 313	1 370	50	1 320	1 380	1 460	10	-10	40
DOE—Other environmental services	363	430	70	440	450	450	30	30	20
Home Office	906	1 030	130	1 120	1 200	1 210	10	80	110
Legal departments	673	880	200	970	1 040	1 100	0	30	30
Department of Education and Science	2 459	2 700	240	2 930	3 080	3 150	70	210	280
Office of Arts and Libraries	337	370	30	400	420	440	10	40	50
DHSS—Health and personal social services	15 154	16 520	1 360	17 550	18 450	19 330	330	700	790
DHSS—Social security	40 973	42 700	1 700	44 500	47 000	49 200	300	600	1 400
Scotland <sup>2</sup>	3 310	3 500	190	3 600	3 780	3 920	70	50	120
Wales <sup>2</sup>	1 453	1 560	100	1 680	1 720	1 780	40	100	90
Northern Ireland <sup>2</sup>	3 593	3 800	200	4 010	4 170	4 300	10	80	90
Chancellor's departments	2 074	2 320	240	2 470	2 600	2 700	100	160	180
Other departments	1 318	1 450	130	1 640	1 660	1 730	-90	10	-40
<b>Total</b>	<b>104 768</b>	<b>110 100</b>	<b>5 300</b>	<b>114 200</b>	<b>120 200</b>	<b>124 700</b>	<b>1 700</b>	<b>2 900</b>	<b>4 400</b>

<sup>1</sup> See footnotes to Table 1.4.<sup>2</sup> See paragraph 1.46.

Table 1.8 Local authority spending<sup>1</sup>

	£ million								
	Latest estimates of outturn			New plans			Change from January 1987 White Paper		
	1986-87 outturn	1987-88 estimated outturn	Change 1986-87 to 1987-88	1988-89 plans	1989-90 plans	1990-91 plans	1987-88	1988-89	1989-90
Ministry of Agriculture, Fisheries and Food	186	170	-20	200	200	210	-10	10	20
Department of Trade and Industry	79	90	10	90	90	100	10	10	10
Department of Employment	115	130	10	130	140	140	10	10	10
Department of Transport	2 483	2 470	-10	2 650	2 720	2 800	-200	-60	-40
DOE—Housing	1 274	1 140	-130	1 690	1 540	1 460	-660	60	-150
DOE—Other environmental services	3 424	3 660	240	3 370	3 480	3 570	340	20	40
Home Office	4 254	4 760	510	4 940	5 110	5 270	250	280	330
Department of Education and Science	13 232	14 470	1 240	15 030	15 550	16 010	510	410	530
Office of Arts and Libraries	480	520	40	500	510	530	60	10	20
DHSS—Health and personal social services	2 738	3 030	290	3 120	3 230	3 320	100	110	130
DHSS—Social security	3 470	3 790	320	4 010	4 250	4 490	160	430	470
Scotland <sup>2</sup>	3 942	4 330	380	4 510	4 620	4 760	130	170	150
Wales <sup>2</sup>	1 539	1 680	140	1 690	1 730	1 790	80	50	60
Northern Ireland <sup>2</sup>	716	700	-20	740	770	790	0	10	10
<b>Total</b>	<b>37 932</b>	<b>40 900</b>	<b>3 000</b>	<b>42 700</b>	<b>43 900</b>	<b>45 200</b>	<b>800</b>	<b>1 500</b>	<b>1 600</b>
of which:—									
Relevant expenditure <sup>3</sup>	29 396	32 100	2 700	33 200	34 300	35 400	1 200	1 000	1 300
Other current	4 792	5 100	300	5 400	5 600	5 900	100	400	500
Capital	3 743	3 700	0	4 000	4 000	3 900	-500	0	-200

<sup>1</sup> See footnotes to Table 1.4.<sup>2</sup> See paragraph 1.46.<sup>3</sup> Public expenditure relevant for Aggregate Exchequer Grant.

Table 1.9 Public corporations<sup>1,2</sup>

	£ million								
	Latest estimates of outturn			New plans			Change from January 1987 White Paper		
	1986-87 outturn	1987-88 estimated outturn	Change 1986-87 to 1987-88	1988-89 plans	1989-90 plans	1990-91 plans	1987-88	1988-89	1989-90
FCO—Overseas Development Administration	24	10	-10	30	30	30	-10	0	0
Ministry of Agriculture, Fisheries and Food	13	20	10	20	20	20	0	0	0
Department of Trade and Industry	173	-210	-390	-100	-150	-140	-280	-20	-70
Department of Energy	-1 098	-320	780	-390	-640	-850	260	120	20
Department of Transport	966	920	-50	1 040	900	880	-170	80	-20
DOE—Housing	19	10	-10	20	90	120	-50	-60	10
DOE—Other environmental services	128	-80	-200	0	80	90	-180	-100	30
Scotland <sup>3</sup>	484	390	-90	400	200	90	60	170	110
Northern Ireland <sup>3</sup>	329	390	60	380	370	380	0	10	10
Other <sup>4</sup>	77	90	10	90	90	90	0	0	0
<b>Total</b>	<b>1 115</b>	<b>1 230</b>	<b>110</b>	<b>1 480</b>	<b>980</b>	<b>710</b>	<b>-380</b>	<b>200</b>	<b>100</b>
of which:—									
Nationalised industries	387	590	200	690	-30	-390	-100	340	20
Other public corporations	729	640	-90	790	1 010	1 090	-270	-150	70

<sup>1</sup> See footnotes to Table 1.4.<sup>2</sup> For nationalised industries and most public corporations, the planning total includes their external finance. For nationalised industries' external financing limits for 1988-89, see Table 1.5.<sup>3</sup> See paragraph 1.46.<sup>4</sup> Ministry of Defence, Department of Employment, DHSS, Wales and Chancellor's Departments.

Table 1.10 Public spending by department, 1978-79 to 1990-91

	£ billion									
	1978-79 outturn	1982-83 outturn	1983-84 outturn	1984-85 outturn	1985-86 outturn	1986-87 outturn	1987-88 estimated outturn	1988-89 plans	1989-90 plans	1990-91 plans
Defence	7.5	14.4	15.5	17.2	18.0	18.1	18.8	19.2	20.0	20.6
Foreign and Commonwealth Office	1.0	1.5	1.7	1.8	1.8	1.9	2.0	2.2	2.2	2.3
European Communities	0.8	0.6	0.8	1.0	0.8	1.1	1.4	0.8	1.5	1.3
Ministry of Agriculture, Fisheries and Food	0.8	1.8	2.0	2.0	2.4	1.8	2.1	2.2	2.3	2.5
Trade and Industry	2.1	2.2	1.7	2.0	1.8	2.3	1.1	1.4	1.3	1.3
Energy	0.6	0.9	1.1	2.6	0.7	-0.2	0.3	0.1	-0.2	-0.4
Employment	1.1	2.4	2.9	3.1	3.4	3.9	4.0	4.2	4.3	4.4
Transport	2.6	4.3	4.3	4.6	4.6	4.7	4.7	5.1	5.1	5.2
DOE—Housing	3.6	2.7	3.2	3.3	3.0	2.6	2.4	3.0	3.0	3.0
DOE—Other environmental services	2.2	3.5	3.8	3.9	3.9	3.9	4.0	3.8	4.0	4.1
Home Office	2.0	4.2	4.6	5.2	5.3	5.8	6.7	7.0	7.3	7.6
Education and Science	7.8	12.7	13.4	13.9	14.4	15.7	17.2	18.0	18.6	19.2
Arts and Libraries	0.3	0.6	0.6	0.7	0.7	0.8	0.9	0.9	1.0	1.0
DHSS—Health & personal social services	7.4	13.9	14.7	15.8	16.6	17.9	19.6	20.7	21.7	22.7
DHSS—Social security	16.4	32.5	35.2	38.1	41.5	44.4	46.4	48.5	51.1	53.6
Scotland, Wales and Northern Ireland	7.6	12.6	13.3	13.9	14.4	15.4	16.4	17.1	17.5	17.9
Other departments	1.9	3.3	2.6	2.8	3.0	3.4	3.8	4.1	4.3	4.4
Reserve								3.5	7.0	10.5
Privatisation proceeds		-0.5	-1.1	-2.1	-2.7	-4.4	-5.0	-0.5	-0.5	-0.5
Adjustment							0.6			
<b>Planning total</b>	<b>65.7</b>	<b>113.5</b>	<b>120.3</b>	<b>129.8</b>	<b>133.7</b>	<b>139.2</b>	<b>147.3</b>	<b>156.8</b>	<b>167.1</b>	<b>176.1</b>
General government gross debt interest	7.4	13.8	14.5	16.1	17.7	17.6	17.8	18.0	18.0	18.0
Other national accounts adjustments	1.7	5.1	5.3	4.4	6.9	8.3	7.4	8.0	8.0	8.0
General government expenditure	74.8	132.5	140.1	150.1	158.3	165.1	177.8	183.0	193.2	202.1
General government expenditure (excluding privatisation proceeds)	74.8	133.0	141.2	152.2	161.0	169.5	177.8	188.0	198.2	207.1
—as a percentage of GDP	43½	46½	46	46½	44½	44	42½	42	41½	41½
Money GDP	173.1	284.4	307.5	329.6	361.5	386.3	424	456	486	516

**Table 1.11 Planning total in real terms by department, 1978-79 to 1990-91**

	£ billion (base year 1986-87)									
	1978-79 outturn	1982-83 outturn	1983-84 outturn	1984-85 outturn	1985-86 outturn	1986-87 outturn	1987-88 estimated outturn	1988-89 plans	1989-90 plans	1990-91 plans
Defence	14.0	17.1	17.6	18.8	18.5	18.1	18.1	17.6	17.7	17.7
Foreign and Commonwealth Office	2.0	1.8	1.9	2.0	1.9	1.9	2.0	2.0	2.0	2.0
European Communities	1.5	0.7	1.0	1.1	0.8	1.1	1.3	0.7	1.3	1.1
Ministry of Agriculture, Fisheries and Food	1.5	2.1	2.3	2.2	2.5	1.8	2.0	2.0	2.1	2.2
Trade and Industry	4.1	2.6	2.0	2.2	1.0	2.3	1.0	1.3	1.2	1.1
Energy	1.1	1.1	1.3	2.8	0.7	-0.2	0.3	0.1	-0.2	-0.4
Employment	2.1	2.9	3.3	3.4	3.5	3.9	3.8	3.9	3.8	3.8
Transport	5.1	5.2	4.9	5.0	4.8	4.7	4.5	4.7	4.5	4.5
DOE—Housing	7.0	3.2	3.6	3.6	3.1	2.6	2.4	2.8	2.7	2.6
DOE—Other environmental services	4.4	4.2	4.3	4.3	4.0	3.9	3.8	3.5	3.5	3.5
Home Office	3.9	5.0	5.2	5.6	5.5	5.8	6.4	6.4	6.5	6.5
Education and Science	15.1	15.2	15.3	15.2	14.8	15.7	16.5	16.5	16.5	16.5
Arts and Libraries	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8	0.8
DHSS—Health & personal social services	14.5	16.5	16.8	17.2	17.1	17.9	18.8	19.0	19.2	19.5
DHSS—Social security	32.0	38.7	40.1	41.6	42.7	44.4	44.5	44.5	45.3	46.1
Scotland, Wales and Northern Ireland	14.8	15.0	15.2	15.2	14.8	15.4	15.8	15.7	15.5	15.4
Other departments	3.6	3.9	2.9	3.1	3.1	3.4	3.6	3.7	3.8	3.8
Reserve								3.2	6.2	9.0
Privatisation proceeds		-0.6	-1.3	-2.3	-2.8	-4.4	-4.8	-4.6	-4.4	-4.3
Adjustment							0.6			
<b>Planning total</b>	<b>127.9</b>	<b>135.4</b>	<b>137.2</b>	<b>141.8</b>	<b>137.7</b>	<b>139.2</b>	<b>141.3</b>	<b>143.9</b>	<b>148.2</b>	<b>151.6</b>
General government expenditure	145.5	158.1	159.7	164.0	163.0	165.1	165.8	168.0	171.3	174.0
General government expenditure (excluding privatisation proceeds)	145.5	158.6	161.0	166.3	165.8	169.5	170.6	172.6	175.8	178.3
GDP deflator (% increase on previous year)		7.1	4.7	4.4	6.0	3.3	4.9	4½	4	3½



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**Bibliography**

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## 1. Additional analyses

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### Introduction

1. The Autumn Statement, published on [3] November 1988, contained the results of the 1988 Public Expenditure Survey in broad terms. This Chapter gives more detail. The spending plans for the coming three years are determined and controlled in cash, and the plans for 1989-90 will form the basis for the Supply Estimates, cash limits and other spending controls for that year. Revised projections of government receipts and borrowing over the medium term will be contained in the Financial Statement and Budget Report, to be published on Budget day.

2. **Section 1** of this Chapter of the White Paper contains more detailed analyses of the public expenditure plans announced in the Autumn Statement. **Sections 2** and **3** summarise the plans for spending by local authorities and public corporations (including nationalised industries) respectively. **Section 4** contains further information on historical trends in public spending and **Section 5** contains more technical analyses and a glossary of technical terms used in the White Paper. An Index to the White Paper is included at the end.

3. Earlier Chapters contain details of each department's plans including measures of output and performance and targets for improving value for money. Descriptions of the plans for individual nationalised industries and other public corporations are included in these earlier Chapters with the plans of their sponsor departments.

4. This section amplifies the expenditure plans in the Autumn Statement by showing the relationship between the four key ways of analysing public expenditure, namely:

(i) Who plans it : department.

(ii) Who spends it : spending authority.

(iii) Where it goes : function.

(iv) What it is spent on : economic category.

### Additional material in Section 1

5. It also explains the measurement of public expenditure and related concepts and provides more detailed figures and a range of additional analyses including material on:

(i) The relationship between the plans and the funds that Parliament will be asked to vote in Estimates (**Tables 1.3** and **1.18**).

(ii) Government spending on science and technology (**Table 1.13**).

(iii) Running costs and manpower (**Tables and Charts 1.14** to **1.16**).

(iv) Details of privatisation proceeds (**Table 1.17**).

(v) Differences from last year's White Paper (**Tables 1.19** to **1.21**).

**Rounding conventions**

6. The figures in the historical trends section (**Section 4**), are generally rounded to the nearest £0.1 billion although for the forward years general government debt interest and other national accounts adjustments are rounded to the nearest £1 billion. Figures in the remaining parts of the White Paper are shown to the nearest £1 million, except for the last two years (1990-91 and 1991-92) where the figures are generally rounded to the nearest £10 million. (Figures for social security benefits and related totals are rounded to the nearest £100 million for these two years.)

**Economic assumptions**

7. The following economic assumptions underlie the programme totals in this White Paper:

(a) For the purpose of projecting social security benefit expenditure it has been assumed that the uprating in April 1989 will be based on a 4½ per cent increase in the RPI from September 1987 to September 1988 and the uprating in April 1990 will be based on a 3¼ per cent increase in the year to September 1989.

(b) The unemployment assumption is that the level of unemployment excluding school leavers etc., in Great Britain will average 2.6 million in 1988-89. Following the usual convention similar assumptions have been made for 1989-90 and 1990-91. The number of school leavers, adult students and those temporarily stopped work is assumed to be 71,000 in 1988-89 and 41,000 in 1989-90 and 1990-91. For Northern Ireland the number of wholly unemployed adults is assumed to average 117,000 in 1988-89. Again similar assumptions have been made for 1989-90 and 1990-91. The comparable assumption for school leavers, adult students and temporarily stopped work in Northern Ireland is 4,000 in 1988-89 and 3,000 in 1989-90 and 1990-91. These illustrations are not intended to be forecasts.

(c) General inflation as measured by the GDP deflator is assumed to increase by 4¼ per cent in 1987-88, 4½ per cent in 1988-89, 3½ per cent in 1989-90 and 3 per cent in 1990-91 (as given in the footnotes to Table 1.2 of the 1987 Autumn Statement). Full details of GDP deflators used for years prior to 1987-88 are shown in **Table 4.2 of Section 4**.

(d) Money GDP (at market prices) is assumed to increase by 8½ per cent in 1987-88, 7¼ per cent in 1988-89, 6 per cent in 1989-90 and 5½ per cent in 1990-91. Full details of money GDP used for years prior to 1987-88 are shown in **Table 4.2 of Section 4**.

**Definition of public expenditure**

8. A number of terms are often used to describe public expenditure, for example, "State spending", "government spending", and "public spending" and it is not always clear from the context which definition is being used. There are three main expenditure aggregates:

- (i) General government expenditure.
- (ii) The public expenditure planning total.
- (iii) Supply expenditure.

9. There are a number of differences between these aggregates and a full discussion of the main definitions and presentations of public spending used in official statistics is contained in an article in the August 1985 issue of *Economic Trends* entitled "Measuring Public Expenditure". These relationships are also described in a Treasury publication entitled "The Management of Public Spending".

**General government expenditure**

10. General government expenditure is the expenditure of central and local government excluding transfers between them such as government grants to local authorities. It is the key public spending aggregate used in the Medium Term Financial Strategy (MTFS) – see for example Table 1.4 of the 1987 Financial Statement and Budget Report and Table 1.9 of the 1987 Autumn Statement – where public spending is set into the context of the economy as a whole. It is also more appropriate than the other aggregates for international comparisons because generally it is less affected by institutional differences between countries.

**Planning total**

11. For the purposes of planning and control the Government has defined a public expenditure planning total. By setting a target in terms of the planning total and holding to it, the Government seeks to achieve its wider medium-term objective of reducing public spending (expressed in terms of GGE) as a proportion of national income. The planning total is based on the same fundamental national accounts concepts and definitions as general government expenditure and comprises the control totals set for departmental programmes including public corporations. It is wider than GGE in including all external finance for most public corporations and not just what they obtain from government; it is narrower in excluding debt interest, which is affected by Government policy on borrowing and interest rates but is not controlled as an expenditure programme. The relationship between these two aggregates and the links with the national accounts are explained further in **Section 5** and a full description of the figures on public corporations which are included in the planning total is given in **Section 3**.

**Supply expenditure**

12. Supply expenditure is directly financed by money voted by Parliament in the Supply Estimates. It, in turn, finances the bulk of central government public expenditure; the biggest exclusion is expenditure from the National Insurance Fund (NIF) which accounts for well over half of social security spending. Some other Supply expenditure is not directly reflected in public expenditure because it represents finance provided by central government to one of the other spending authorities: for example the Estimates include rate support grant to local authorities which is not direct public expenditure. The relationship between Supply expenditure and the planning total is complex but explained in the Summary and Guide to main Estimates (Cm 94 for 1987–88 Estimates).

**Public expenditure by department**

**Coverage of departmental expenditure**

13. Table 1.1 shows the spending for which individual departments are responsible, over the nine year period 1983–84 to 1991–92. The figures for each department cover all spending for which the relevant Secretary of State has policy responsibility and thus for most departments the figures include not only central government spending but also spending by local authorities and finance for public corporations. For example, the figures for the Department of Transport include expenditure by central government on the national road systems and grants and subsidies to British Rail as well as spending by local authorities on roads and the provision of local transport. The separate contributions of different spending authorities to the departmental totals are shown in the main tables in the departmental chapters.

**Other components of the  
spending aggregates**

14. In addition to the public expenditure by departments **Table 1.1** shows three other elements of the planning total:

(i) The Reserve, which provides a margin for uncertainties and is intended to cover any future net additions to departmental spending, whether these result from policy changes, new initiatives, contingencies or revised estimates of demand-led programmes such as social security.

(ii) Privatisation proceeds. In accordance with national accounts' practice these sales reduce the public expenditure planning total.

(iii) An adjustment for the difference between the Treasury's overall view of likely outturn for 1988-89 and the sum of the other items shown.

15. General government gross debt interest and other national accounts adjustments to arrive at general government expenditure are included below the planning total in **Tables 1.1** and **1.2**. General government gross debt interest is not attributed to any individual department because the government does not borrow for specific projects.

16. The components of the other national accounts adjustments are shown in **Table 5.4** and explained in more detail in **Section 5**. The most significant are the exclusion of the market and overseas borrowing of public corporations, and the inclusion of refunded VAT and imputed capital consumption in general government expenditure.



# 1 Additional analyses

**Table 1.1 Planning total by department**

	1982-83 outturn	1983-84 outturn	1984-85 outturn	1985-86 outturn	1986-87 outturn	1987-88 estimated outturn	1988-89 plans	1989-90 plans	£ million 1990-91 plans
<b>Departments</b>									
Defence	14,364	15,474	17,187	17,954	18,149	18,850	19,208	19,950	20,560
Foreign and Commonwealth Office (1)	1,490	1,689	1,804	1,843	1,926	2,044	2,157	2,250	2,310
European Communities	589	834	974	816	1,079	1,400	800	1,470	1,320
Ministry of Agriculture, Fisheries and Food (2)	1,798	2,032	1,999	2,436	1,757	2,060	2,212	2,330	2,500
Trade and Industry (3)	2,169	1,725	1,999	1,840	2,337	1,061	1,369	1,330	1,250
Energy	902	1,108	2,591	682	-189	269	120	-190	-420
Employment	2,398	2,900	3,132	3,356	3,876	3,967	4,242	4,300	4,360
Transport	4,338	4,309	4,598	4,626	4,709	4,721	5,147	5,120	5,210
DOE - Housing	2,711	3,153	3,262	2,964	2,637	2,450	3,020	3,000	3,040
DOE - Other environmental services	3,549	3,805	3,948	3,902	3,870	3,996	3,813	4,000	4,100
Home Office and legal departments (4)	4,157	4,579	5,159	5,316	5,826	6,653	7,025	7,340	7,580
Education and Science	12,741	13,424	13,941	14,414	15,691	17,169	17,971	18,640	19,170
Arts and Libraries	606	646	698	740	817	885	913	950	980
DHSS - Health and personal social services	13,871	14,732	15,783	16,639	17,944	19,565	20,683	21,680	22,660
DHSS - Social security	32,451	35,159	38,114	41,478	44,416	46,401	48,460	51,100	53,600
Scotland	6,509	6,842	7,114	7,215	7,732	8,212	8,506	8,610	8,780
Wales	2,506	2,679	2,678	2,781	3,058	3,309	3,451	3,550	3,660
Northern Ireland	3,564	3,821	4,105	4,364	4,634	4,910	5,144	5,320	5,510
Chancellor's departments	1,841	1,612	1,678	1,809	2,068	2,309	2,461	2,600	2,690
Other departments (5)	1,424	945	1,140	1,212	1,317	1,472	1,607	1,670	1,740
Reserve							3,500	7,000	10,500
Privatisation proceeds Adjustment (6)	-488	-1,142	-2,132	-2,707	-4,422	-5,000	-5,000	-5,000	-5,000
						600			
<b>Planning total</b>	<b>113,491</b>	<b>120,326</b>	<b>129,772</b>	<b>133,681</b>	<b>139,232</b>	<b>147,300</b>	<b>156,806</b>	<b>167,100</b>	<b>176,100</b>
General government gross debt interest	13,849	14,524	16,052	17,655	17,579	17,800	18,000	18,000	18,000
Other national accounts adjustments	5,148	5,293	4,352	6,880	8,028	7,500	8,000	8,000	8,000
<b>General government expenditure</b>	<b>132,488</b>	<b>140,143</b>	<b>150,176</b>	<b>158,216</b>	<b>164,839</b>	<b>172,600</b>	<b>183,000</b>	<b>193,200</b>	<b>202,100</b>

The departmental figures for 1988-89, 1989-90 and 1990-91 make no allowance for allocations from the Reserve.

(1) Including Overseas Development Administration.

(2) Including Intervention Board for Agricultural Produce and Forestry Commission.

(3) Including Export Credits Guarantee Department.

(4) This group comprises the Home Office, Lord Chancellor's Department, Northern Ireland Court Service, the Crown Prosecution Service, the Serious Fraud Office and the Crown Office, Procurator Fiscal Service and Lord Advocate's Department.

(5) Including Property Services Agency and Civil Superannuation.

(6) See paragraph 11(iii).

## Real terms

17. Table 1.2 shows public spending in real terms over the nine year period 1983-84 to 1991-92. Real terms figures are the cash outturns or plans adjusted to 1987-88 price levels by excluding the effect of general inflation as measured by the GDP deflator. The assumptions for the GDP deflator are given in paragraph 7.

Table 1.2 Planning total in real terms by department

Departments	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	£ million (base year 1986-87)	
	outturn	outturn	outturn	outturn	outturn	estimated outturn	plans	1989-90 plans	1990-91 plans
Defence	17,135	17,648	18,775	18,495	18,150	18,082	17,631	17,700	17,700
Foreign and Commonwealth Office (1)	1,778	1,927	1,971	1,899	1,926	1,961	1,980	1,990	1,990
European Communities	703	951	1,065	841	1,079	1,343	734	1,300	1,140
Ministry of Agriculture, Fisheries and Food (1)	2,145	2,318	2,184	2,510	1,758	1,977	2,031	2,070	2,150
Trade and Industry (1)	2,588	1,968	2,184	1,896	2,337	1,018	1,256	1,180	1,080
Energy	1,077	1,264	2,831	703	-189	258	110	-170	-360
Employment	2,861	3,308	3,422	3,457	3,877	3,806	3,894	3,820	3,750
Transport	5,175	4,915	5,024	4,766	4,710	4,530	4,725	4,540	4,490
DOE - Housing	3,235	3,596	3,564	3,054	2,637	2,351	2,773	2,660	2,620
DOE - Other environmental services	4,233	4,340	4,313	4,020	3,871	3,834	3,500	3,550	3,530
Home Office and legal departments (1)	4,959	5,223	5,636	5,477	5,826	6,382	6,449	6,510	6,520
Education and Science	15,199	15,309	15,229	14,849	15,692	16,470	16,496	16,530	16,500
Arts and Libraries	723	737	763	762	818	849	839	840	850
DHSS - Health and personal social services	16,547	16,801	17,241	17,140	17,944	18,767	18,986	19,230	19,510
DHSS - Social security	38,710	40,097	41,633	42,729	44,417	44,509	44,482	45,300	46,100
Scotland	7,765	7,804	7,771	7,433	7,732	7,878	7,809	7,640	7,560
Wales	2,990	3,055	2,926	2,866	3,059	3,175	3,168	3,150	3,150
Northern Ireland	4,252	4,357	4,485	4,495	4,634	4,711	4,722	4,720	4,740
Chancellor's departments	2,197	1,839	1,833	1,864	2,068	2,216	2,259	2,300	2,320
Other departments (1)	1,699	1,079	1,245	1,249	1,318	1,412	1,475	1,480	1,500
Reserve							3,213	6,210	9,040
Privatisation proceeds	-582	-1,303	-2,330	-2,789	-4,422	-4,797	-4,590	-4,430	-4,310
Adjustment (1)						571			
<b>Planning total</b>	<b>135,382</b>	<b>137,226</b>	<b>141,756</b>	<b>137,709</b>	<b>139,232</b>	<b>141,300</b>	<b>143,937</b>	<b>148,200</b>	<b>151,600</b>
General government gross debt interest	16,521	16,564	17,535	18,188	17,579	17,100	17,000	16,000	15,000
Other national accounts adjustments	6,142	6,037	4,755	7,087	8,028	7,200	7,000	7,000	7,000
<b>General government expenditure</b>	<b>158,044</b>	<b>159,826</b>	<b>164,044</b>	<b>162,984</b>	<b>164,839</b>	<b>165,600</b>	<b>168,000</b>	<b>171,300</b>	<b>174,000</b>

The departmental figures for 1988-89, 1989-90 and 1990-91 make no allowance for allocations from the Reserve.

(1) See footnotes to Table 1.1

18. Changes in real terms figures from year to year show the combined effects of:

(i) Changes in the quantity of goods and services bought in the past years and provided for in future years, and, in the case of transfer payments, the numbers of beneficiaries and levels of support.

(ii) Changes in relative prices - that is the extent to which prices of the goods and services concerned have differed, or may differ, from average price movements as measured by the GDP deflator.

These two effects together represent claims on resources.

## Public expenditure by spending authority

19. Central government is directly responsible for spending over 70 per cent of the planning total, with local authorities' expenditure making up most of the remainder. The third element is the external finance of the nationalised industries and other public corporations. **Table 1.3** shows how the planning total is split between these spending authorities, and gives a breakdown of central government expenditure by department.

20. This spending authority breakdown is also shown within each departmental chapter in **Chapters 1 to 20** and should help users of public expenditure documents to trace more easily from the public expenditure plans through to the related control totals such as voted expenditure, local authority relevant spending and nationalised industries' external finance limits. In particular it makes clearer the relationship between the public expenditure White Paper and Estimates. The tables in each departmental chapter identify voted expenditure, and within voted expenditure, show a functional breakdown of the main components.

21. **Tables 1.4 and 1.5** analyse the spending of central government and local authorities and show the departments responsible for that spending. In **Tables 1.4 and 1.5** the figures for each department exclude any finance provided by central or local government to nationalised industries and other public corporations. Any such finance is recorded as part of the public corporations' contribution to the planning total aggregate; figures are shown in a footnote to **Table 1.3**. Further details of public corporations' spending by department are shown in **Table 1.6**. Details for individual nationalised industries and other public corporations are covered in **Section 3** and discussed in the appropriate chapters in **Chapters 1 to 20**.

### Central government

22. Central government is responsible for spending about three-quarters of public expenditure. This includes the expenditure of government departments for their own activities and total or partial funding of other public bodies which do not undertake commercial activities as a major part of their work, of which the National Health Service is by far the largest. In addition it covers subsidies to a small number of trading bodies such as the Export Credits Guarantee Department and Remploy Ltd. It does not include central government grants to local authorities, whose own expenditure is shown separately.

23. About 70 per cent of central government spending is voted by Parliament through the annual Supply Estimates. The rest consist mainly of those social security payments which are paid out of the National Insurance Fund.

24. The largest components of central government spending are on social security, health and defence which together account for over 70 per cent of the total. In other major programmes, such as those of the Departments of Education and Transport and the Home Office, a large proportion of expenditure is carried out by local authorities, and a relatively smaller proportion is spent directly by central government. Major increases in central government spending, compared with the plans in last year's White Paper, have been made for social security, health, industrial assistance, defence, education and the prison programme.

Table 1.3 Planning total by spending authority

	1982-83 outturn	1983-84 outturn	1984-85 outturn	1985-86 outturn	1986-87 outturn	1987-88 estimated outturn	1988-89 plans	1989-90 plans	£ million 1990-91 plans
<b>Central government (1)(2)</b>	<b>81,788</b>	<b>85,037</b>	<b>92,014</b>	<b>98,396</b>	<b>104,644</b>	<b>109,720</b>	<b>114,225</b>	<b>120,200</b>	<b>124,700</b>
<i>Of which:</i>									
Voted in Estimates	58,001	60,661	66,284	71,324	73,697	77,173	81,021	84,600	87,600
Other	23,787	24,376	25,729	27,072	30,948	32,547	33,204	35,600	37,100
<b>Local authorities (1)</b>	<b>29,132</b>	<b>33,192</b>	<b>34,950</b>	<b>35,363</b>	<b>37,872</b>	<b>40,926</b>	<b>42,642</b>	<b>44,000</b>	<b>45,200</b>
<i>Of which:</i>									
Relevant expenditure	23,135	24,720	26,016	26,693	29,402	32,101	33,241	34,300	35,400
Other current	2,284	3,857	4,238	4,502	4,789	5,077	5,410	5,700	5,900
Capital	3,713	4,616	4,695	4,168	3,681	3,749	3,991	3,950	3,920
<b>Public corporations (3)</b>	<b>3,058</b>	<b>3,239</b>	<b>4,940</b>	<b>2,629</b>	<b>1,138</b>	<b>1,058</b>	<b>1,439</b>	<b>920</b>	<b>640</b>
<i>Of which:</i>									
Nationalised industries (2)	2,140	2,274	3,827	1,709	387	455	687	-30	-390
Other public corporations	918	966	1,113	919	751	604	752	950	1,020
<b>Reserve</b>							<b>3,500</b>	<b>7,000</b>	<b>10,500</b>
<b>Privatisation proceeds</b>	<b>-488</b>	<b>-1,142</b>	<b>-2,132</b>	<b>-2,707</b>	<b>-4,422</b>	<b>-5,000</b>	<b>-5,000</b>	<b>-5,000</b>	<b>-5,000</b>
<b>Adjustment (4)</b>						<b>600</b>			
<b>Planning total</b>	<b>113,491</b>	<b>120,326</b>	<b>129,772</b>	<b>133,681</b>	<b>139,232</b>	<b>147,300</b>	<b>156,806</b>	<b>167,100</b>	<b>176,100</b>

(1) Excluding finance for public corporations.

(2) For the years up to 1985-86 loans made by certain departments (other than Trade and Industry) following the adoption of the use of public postal methods by Government departments on 1 April 1981 form part of the Post Office's EFL and are included under public corporations. This treatment is adopted throughout Volume I, in the departmental chapters in Volume II the loans by departments are included under central government.

(3) Central government finance for public corporations is included as follows:

*Nationalised industries*

- voted in Estimates	2,523	2,419	3,415	2,812	2,265	2,135	1,434	1,290	1,250
- other	-524	-294	251	-1,264	-1,878	-1,680	-747	-1,320	-1,640

*Other public corporations*

- voted in Estimates	547	525	494	455	452	529	628	690	720
- other	211	345	514	448	341	337	309	290	290

*Local authority finance for public corporations is included as follows:*

<i>Nationalised industries</i>	142	149	161	162					
<i>Other public corporations</i>					39	10	51	50	50

(4) See footnotes to Table 1.1.

## 1 Additional analyses

**Table 1.4 Central government spending by department**

	1982-83 outturn	1983-84 outturn	1984-85 outturn	1985-86 outturn	1986-87 outturn	1987-88 estimated outturn	1988-89 plans	1989-90 plans	£ million 1990-91 plans
<b>Central government (1)</b>									
Defence	14,391	15,465	17,099	17,921	18,161	18,850	19,208	19,950	20,560
Foreign and Commonwealth Office (2)	1,511	1,648	1,762	1,809	1,902	2,037	2,126	2,220	2,280
European Communities	589	834	974	816	1,079	1,400	800	1,470	1,320
Ministry of Agriculture, Fisheries and Food (2)	1,537	1,821	1,808	2,266	1,578	1,875	1,993	2,110	2,270
Trade and Industry (2)	1,767	1,301	1,591	1,360	2,084	1,207	1,383	1,390	1,310
Energy	395	510	514	879	909	594	512	460	430
Employment	2,302	2,805	3,033	3,239	3,757	3,837	4,111	4,170	4,220
Transport	1,067	1,035	1,151	1,215	1,259	1,418	1,457	1,490	1,530
DOE - Housing	1,443	1,099	1,141	1,190	1,306	1,296	1,320	1,380	1,470
DOE - Other environmental services	231	283	327	336	361	430	441	440	450
Home Office and legal departments (2)	1,011	1,163	1,300	1,427	1,580	1,892	2,090	2,230	2,310
Education and Science	2,062	2,164	2,249	2,359	2,459	2,703	2,939	3,090	3,160
Arts and Libraries	239	244	268	284	337	361	417	440	450
DHSS - Health and personal social services	11,829	12,511	13,408	14,171	15,179	16,526	17,549	18,450	19,330
DHSS - Social security	31,417	32,627	35,224	38,271	40,947	42,637	44,452	46,900	49,100
Scotland	2,809	2,809	2,973	3,144	3,310	3,495	3,694	3,840	3,990
Wales	1,169	1,213	1,250	1,334	1,453	1,566	1,665	1,720	1,780
Northern Ireland	2,741	2,932	3,119	3,325	3,590	3,811	3,995	4,170	4,340
Chancellor's departments	1,851	1,624	1,689	1,831	2,074	2,316	2,468	2,600	2,700
Other departments (2)	1,428	949	1,133	1,217	1,317	1,472	1,607	1,670	1,740
<b>Total central government spending</b>	<b>81,788</b>	<b>85,037</b>	<b>92,014</b>	<b>98,396</b>	<b>104,644</b>	<b>109,720</b>	<b>114,225</b>	<b>120,200</b>	<b>124,700</b>

(1) See footnotes to Table 1.3

(2) See footnotes to Table 1.1

**Local authorities**

25. Local authorities are directly responsible for almost a quarter of public expenditure. Elected local councils, education authorities, police authorities, residuary bodies and some other bodies controlled by councils jointly are together responsible for the greater part of expenditure on education, housing, other environmental services, the police and local transport.

**Local authority current spending**

26. More than a third of local authority spending goes on education, with most of the rest being spent on law and order, housing and other environmental services, personal social services, transport and social security (elements of housing benefit which are administered by the local authorities). Details of local authority spending and how it is financed are given in **Section 2**.

27. Most of local authorities' current spending is relevant for Aggregate Exchequer Grant: this includes spending, on a wide range of services over which local authorities have significant discretion. The other elements are other current spending, mainly on rent rebates and allowances (part of housing benefit) and mandatory student awards, over which local authorities have less discretion, and capital spending. Aggregate Exchequer Grant has been set at £17.4 billion in 1989-90, an increase of £1 billion over 1988-89. This does not count directly as public expenditure because it is a transfer between central and local government.

28. The plans provide for relevant spending in 1989-90 to be 3½ per cent higher than 1988-89 budgets, with further increases of 3½ per cent in 1990-91, and 3 per cent in 1991-92. The Government believes that these plans can be met if local authorities contain their costs and improve efficiency.

29. The Government continues to encourage local authority to improve efficiency and value for money. This year legislation has been introduced to expose a wider range of local authority services to competition, with this end in view.

**Local authority capital spending**

30. Local authority gross capital spending is expected to be £7.1 billion in 1988-89, (net expenditure is expected to be £3.7 billion) and plans for the future years provide for gross spending of £7.0 billion in 1989-90, £6.9 billion in 1990-91 and £6.8 billion in 1991-92. Net of receipts, the public expenditure provision in the years 1989-90 and 1990-91, is £4 billion, and in 1991-92 £3.9 billion. Details of how this spending is financed, and controlled, and distributed between different services are contained in **Section 2**.

# 1 Additional analyses

## Table 1.5 Local authority spending by department

	1982-83 outturn	1983-84 outturn	1984-85 outturn	1985-86 outturn	1986-87 outturn	1987-88 estimated outturn	1988-89 plans	1989-90 plans	£ million 1990-91 plans
<b>Local authority relevant (1)</b>									
Ministry of Agriculture, Fisheries and Food (2)	84	91	93	99	129	136	137	140	150
Trade and Industry (2)	60	65	68	74	77	86	88	90	90
Employment	71	78	86	89	98	108	110	110	120
Transport	1,648	1,726	1,803	1,677	1,851	1,868	1,950	2,020	2,080
DOE - Housing	530	630	566	600	617	641	606	630	650
DOE - Other environmental services	2,218	2,380	2,478	2,618	2,773	3,036	3,015	3,120	3,210
Home Office and legal departments (2)	3,010	3,287	3,726	3,743	4,114	4,532	4,741	4,910	5,050
Education and Science	9,598	10,102	10,525	10,912	12,107	13,291	13,870	14,360	14,790
Arts and Libraries	339	362	383	404	436	473	480	500	510
DHSS - Health and personal social services	1,970	2,135	2,274	2,365	2,650	2,927	3,035	3,140	3,240
DHSS - Social security	68	114	153	168	187	238	211	200	200
Scotland	2,533	2,690	2,771	2,824	3,140	3,435	3,603	3,660	3,760
Wales	1,004	1,060	1,089	1,119	1,223	1,329	1,394	1,440	1,480
<b>Total local authority relevant</b>	<b>23,135</b>	<b>24,720</b>	<b>26,016</b>	<b>26,693</b>	<b>29,402</b>	<b>32,101</b>	<b>33,241</b>	<b>34,300</b>	<b>35,400</b>
<b>Local authority other current</b>									
Ministry of Agriculture, Fisheries and Food (2)	16	22	28	27	29	34	35	40	40
Employment	10	12	12	12	13	14	16	20	20
DOE - Housing	17	17	18	17	20	21	23	20	20
Home Office and legal departments (2)	18	14	16	17	19	19	21	20	20
Education and Science	669	734	744	710	703	742	766	790	810
DHSS - Social security	970	2,442	2,740	3,042	3,282	3,525	3,796	4,000	4,300
Scotland	127	125	142	100	82	46	25	10	
Wales	3	3	3	4	4	4	4		
Northern Ireland	456	488	535	573	637	672	726	750	770
<b>Total local authority other current</b>	<b>2,284</b>	<b>3,857</b>	<b>4,238</b>	<b>4,502</b>	<b>4,789</b>	<b>5,077</b>	<b>5,410</b>	<b>5,700</b>	<b>5,900</b>
<b>Local authority capital (1)</b>									
Ministry of Agriculture, Fisheries and Food (2)	113	69	46	28	9	-1	28	30	30
Trade and Industry (2)	1	1	3	3	2	4	3		
Employment	4	6	5	4	4	5	5		
Transport	730	798	851	700	613	605	699	700	720
DOE - Housing	596	1,287	1,425	1,074	666	479	1,058	890	790
DOE - Other environmental services	734	670	743	667	607	605	357	360	360
Home Office and legal departments (2)	119	116	121	129	112	210	173	180	190
Education and Science	413	424	423	433	423	434	396	400	410
Arts and Libraries	28	40	48	52	44	51	17	20	20
DHSS - Health and personal social services	67	73	78	80	88	100	89	80	90
Scotland	608	739	643	666	721	844	781	890	910
Wales	235	321	251	263	313	332	285	280	290
Northern Ireland	63	72	58	69	79	82	100	100	100
<b>Total local authority capital</b>	<b>3,713</b>	<b>4,616</b>	<b>4,695</b>	<b>4,168</b>	<b>3,681</b>	<b>3,749</b>	<b>3,991</b>	<b>3,950</b>	<b>3,920</b>
<b>Total local authority spending</b>	<b>29,132</b>	<b>33,192</b>	<b>34,950</b>	<b>35,363</b>	<b>37,872</b>	<b>40,926</b>	<b>42,642</b>	<b>44,000</b>	<b>45,200</b>

(1) See footnotes to Table 2.3.

(2) See footnotes to Table 2.1.

**Public corporations**

31. Public corporations are the third main spending authority. Public corporations are publicly owned trading organisations, usually statutory corporations, with a substantial degree of financial independence including the powers to borrow and maintain reserves.

32. The planning total includes nationalised industries' finance from sources other than revenue generated from their trading activity. This includes their borrowing and leasing from all sources and grants from the Government. The industries' external finance is controlled on an annual basis by external financing limits (EFLs). Details of the nationalised industries external finance, and how the controls operate, are given in **Section 3**, which also summarises the public expenditure treatment and control of other public corporations such as the Urban Development Corporations, the Scottish and Welsh Development Agencies and the Northern Ireland Electricity Service.

33. The total of nationalised industries' EFLs for 1988-89 is £687 million, £340 million higher than the plans in last year's White Paper. The increase reflects a number of changes, but the main additions are to the EFLs for the electricity industries in England and Wales and Scotland, reflecting plans for substantially increased investment in new capacity. Total nationalised industries' investment is expected to rise from about £4½ billion in 1987-88 to around £6 billion in 1990-91.

34. Despite the substantial level of investment planned, total provision for nationalised industries' external finance is expected to decline in 1989-90 and 1990-91, with net repayments of debt overall by the end of the decade. This trend is in line with the Government's objective of minimising the burden which the industries place on the taxpayer, and strengthening them as businesses earning adequate rates of return. External finance for nationalised industries has already been significantly reduced, from nearly £3 billion in 1979-80 to an estimated £590 million in 1987-88. The Government will continue to require improvements in the industries' profitability and further progress in reducing costs and increasing productivity by setting demanding financial targets and performance aims.



# 1 Additional analyses

## Table 1.6 Public corporations by department

	1982-83 outturn	1983-84 outturn	1984-85 outturn	1985-86 outturn	1986-87 outturn	1987-88 estimated outturn	1988-89 plans	1989-90 plans	£ million 1990-91 plans
<b>Nationalised industries external finance (1)</b>									
Defence	6	6	6	-2					
Ministry of Agriculture, Fisheries and Food (2)	50	31	25	16	13	17	20	20	20
Trade and Industry (1)(2)	296	320	309	383	161	-248	-125	-170	-170
Energy	507	598	2,077	-197	-1,107	-324	-370	-640	-840
Transport	835	676	724	1,035	946	822	991	850	830
DOE - Other environmental services	258	341	280	214	121	39	27	-30	-40
Scotland	159	277	376	233	235	135	134	-70	-190
Wales	29	25	31	28	17	13	11	10	10
<b>Total nationalised industries external finance</b>	<b>2,140</b>	<b>2,274</b>	<b>3,827</b>	<b>1,709</b>	<b>387</b>	<b>455</b>	<b>687</b>	<b>-30</b>	<b>-390</b>
<b>Other public corporations (3)</b>									
Defence	-33	4	87	36	-12				
Foreign and Commonwealth Office (2)	-20	41	42	34	24	7	30	30	30
Ministry of Agriculture, Fisheries and Food (2)	-2	-1	-1	-1	-1				
Trade and Industry (2)	37	8			13	13	19	20	20
Energy					9	-1	-22	-10	-10
Employment	11			12	4	4	1		
Transport	57	75	72		39	9	50	50	50
DOE - Housing	125	120	112	82	28	13	13	80	110
DOE - Other environmental services	108	132	122	67	7	-114	-27	100	130
DHSS - Health and personal social services	4	13	23	23	27	12	10		
Scotland	273	203	210	248	245	256	269	290	300
Wales	66	56	53	34	48	65	93	100	100
Northern Ireland	304	328	393	398	327	346	323	300	290
Chancellor's departments	-7	-9	-8	-7	-7	-7	-7	-10	-10
Other departments (2)	-4	-4	7	-5					
<b>Total other public corporations</b>	<b>918</b>	<b>966</b>	<b>1,113</b>	<b>919</b>	<b>751</b>	<b>604</b>	<b>752</b>	<b>950</b>	<b>1,020</b>
<b>Total public corporations</b>	<b>3,058</b>	<b>3,239</b>	<b>4,940</b>	<b>2,629</b>	<b>1,138</b>	<b>1,058</b>	<b>1,439</b>	<b>920</b>	<b>640</b>

(1) See footnotes to Table 2.3. In this table all the Post Offices' EFL is shown against Trade and Industry.

(2) See footnotes to Table 2.1

(3) Details of individual public corporations included in this table are shown in Table 4.1 in Chapter 4.

## Public expenditure by function

### UK functional analysis

35. The territorial coverage of departmental expenditure varies. For example, the Department of Health and Social Security is responsible for social security benefits for Great Britain as a whole (but not Northern Ireland), whereas the Department of Education and Science covers local authority spending on schools in England only. To produce a picture of the spending of Government on its different functions or services in the UK as a whole **Table 1.8** allocates to the appropriate function, the expenditure for which the respective Secretaries of State are responsible in Scotland, Wales and Northern Ireland. "Miscellaneous expenditure" covers the activities required for the general maintenance of government, such as tax collection, registration of the population, and the management of the public authorities. This is illustrated in **Chart 1.7** which shows trends in the proportions of public expenditure in the UK (excluding the Reserve and privatisation proceeds) devoted to different purposes.

36. The chart shows the changes in spending priorities the Government has already implemented and is planning over the next three years. For example, the priority given to the health service has been reflected in an increase from £7.8 billion (11.9 per cent) in 1978-79 to £18.9 billion (13.1 per cent) in 1986-87 and is planned to increase further to £24 billion (over 14 per cent) in 1990-91.

37. The share allocated to law and order is also planned to increase further. Planned spending in 1990-91 is almost £9 billion (5.2 per cent) compared to just under £7 billion (4.8 per cent) in 1986-87. Social security accounts for nearly a third of all spending and also shows some continuing growth.

38. Education's share has fallen since 1978-79 reflecting a fall in school rolls. It is planned to increase slightly by the end of the decade.

39. The share allocated to defence rose sharply after 1978-79 it is planned to fall slightly in the next three years as the benefits of past increases continue to be felt and the programme of efficiency improvements continues to grow.

40. Other areas whose share of expenditure has already fallen and is planned to fall further are industry, trade and energy, where the support for both public and private sector industry is being reduced as profitability improves, and housing where the private sector already accounts for most provision and the Government's policy is to expand the opportunity for private sector investment further.

**Chart 1.7 Public expenditure by function**



Table 1.8 Functional analysis of United Kingdom public expenditure

	1982-83 outturn	1983-84 outturn	1984-85 outturn	1985-86 outturn	1986-87 outturn	1987-88 estimated outturn	1988-89 plans	1989-90 plans	£ million 1990-91 plans
<b>Defence</b>									
Defence budget	14,391	15,465	17,099	17,921	18,161	18,850	19,208	19,950	20,560
Finance for public corporations	-33	4	87	36	-12				
Nationalised industries' external finance	6	6	6	-2					
<b>Total defence</b>	<b>14,365</b>	<b>15,475</b>	<b>17,193</b>	<b>17,955</b>	<b>18,149</b>	<b>18,850</b>	<b>19,208</b>	<b>19,950</b>	<b>20,560</b>
<b>Overseas aid and other overseas services</b>									
Overseas aid	960	1,029	1,091	1,122	1,178	1,247	1,304	1,380	1,420
Contributions to European Communities	589	834	974	816	1,079	1,400	800	1,470	1,320
Other overseas services	558	625	677	695	734	801	833	850	880
Finance for public corporations	-20	41	42	34	24	7	30	30	30
<b>Total overseas aid and other overseas services</b>	<b>2,086</b>	<b>2,529</b>	<b>2,785</b>	<b>2,667</b>	<b>3,015</b>	<b>3,455</b>	<b>2,967</b>	<b>3,730</b>	<b>3,640</b>
<b>Agriculture, fisheries, food and forestry</b>									
Market regulation and production support	1,115	1,369	1,368	1,854	1,180	1,492	1,553	1,670	1,820
Structural measures for agriculture	332	346	336	306	263	247	257	270	280
Animal health	16	26	24	18	15	17	18	20	20
Other agriculture and food services including commissioned research and development	112	122	145	146	139	141	180	180	170
Support for the fishing industry	49	37	39	48	53	56	49	50	50
Arterial drainage, flood and coast protection (excluding Water Authorities)	219	178	160	159	178	182	193	200	200
Departmental research, advisory services and administration	200	249	256	270	286	290	323	330	340
Forestry	61	61	59	55	55	60	67	70	70
Regional Water Authorities' external finance	50	31	25	16	13	17	20	20	20
Finance for public corporations	-2	-1	-1	-1	1				
<b>Total agriculture, fisheries, food and forestry</b>	<b>2,152</b>	<b>2,419</b>	<b>2,411</b>	<b>2,872</b>	<b>2,182</b>	<b>2,503</b>	<b>2,659</b>	<b>2,790</b>	<b>2,970</b>
<b>Trade, industry, energy and employment</b>									
Regional and general industrial support	1,120	904	951	921	1,005	801	953	910	900
Scientific and technological assistance	490	557	617	622	617	628	672	660	690
Support for aerospace, shipbuilding, coal, steel and vehicle manufacture	745	462	394	764	1,540	511	411	380	290
Trade	450	329	589	455	408	327	314	320	310
Employment	1,323	1,641	1,745	1,878	2,184	2,053	2,083	2,030	2,070
Training	926	1,113	1,212	1,322	1,511	1,712	1,964	2,080	2,080
Departmental administration and other services	324	377	411	378	439	473	511	510	530
Finance for public corporations	285	228	236	245	193	213	206	210	210
Nationalised industries' external finance	928	1,150	2,712	376	-722	-452	-367	-890	-1,210
<b>Total trade, industry, energy and employment</b>	<b>6,590</b>	<b>6,760</b>	<b>8,869</b>	<b>6,961</b>	<b>7,177</b>	<b>6,265</b>	<b>6,747</b>	<b>6,220</b>	<b>5,870</b>

## 1 Additional analyses

### Arts and libraries

Museums and galleries	172	182	202	219	233	250	272	280	290
Other arts and heritage	113	109	121	126	158	162	176	190	190
Libraries	424	461	487	517	559	614	613	640	660
Administration	4	5	5	5	5	6	2		
<b>Total arts and libraries</b>	<b>713</b>	<b>756</b>	<b>815</b>	<b>868</b>	<b>955</b>	<b>1,032</b>	<b>1,063</b>	<b>1,110</b>	<b>1,140</b>

### Transport

<b>National road systems</b>									
<i>Capital</i>	905	892	930	939	975	1,136	1,159	1,190	1,240
<i>Current</i>	128	150	167	172	191	178	184	190	200
<b>Local roads</b>									
<i>Capital</i>	589	631	640	729	747	676	829	870	890
<i>Current</i>	1,077	1,124	1,154	1,215	1,337	1,408	1,566	1,620	1,660
<b>Local transport</b>									
<i>Capital</i>	328	353	399	197	121	162	107	120	120
<i>Current</i>	904	948	994	811	920	897	841	870	890
Ports	135	102	99	54	30	23	15	10	10
Shipping and civil aviation services	44	47	49	57	60	65	81	80	80
Driver and vehicle licensing	70	93	94	100	104	116	119	120	130
Other transport services	183	201	223	235	249	285	291	290	290
Finance for public corporations	15	19	21	21	22	23	19	20	20
Nationalised industries' external finance	868	723	772	1,073	957	836	997	860	840
<b>Total transport</b>	<b>5,246</b>	<b>5,285</b>	<b>5,543</b>	<b>5,604</b>	<b>5,713</b>	<b>5,806</b>	<b>6,206</b>	<b>6,250</b>	<b>6,380</b>

### Housing

<b>Central government subsidies to local authority housing</b>									
Other general subsidies	655	355	411	486	591	517	525	550	580
Administration	735	781	725	668	658	626	582	590	600
Administration	152	183	188	214	227	260	261	270	280
<b>Local authority gross capital expenditure</b>									
Local authorities receipts	2,865	3,789	3,683	3,271	3,241	3,577	3,673	3,570	3,490
Other capital	-1,929	-1,983	-1,880	-1,842	-2,127	-2,563	-2,149	-2,160	-2,160
Finance for public corporations	864	816	799	771	757	826	827	860	910
Finance for public corporations	460	424	465	485	431	439	445	520	550
<b>Total housing</b>	<b>3,800</b>	<b>4,365</b>	<b>4,392</b>	<b>4,052</b>	<b>3,779</b>	<b>3,682</b>	<b>4,163</b>	<b>4,200</b>	<b>4,250</b>

### Other environmental services

<b>Local environmental services</b>									
Urban programme	3,334	3,467	3,601	3,680	3,835	4,149	3,893	3,990	4,110
Other	204	212	247	255	250	305	320	320	320
Other	504	575	625	641	692	765	786	810	820
<b>Nationalised industries' external finance</b>									
Nationalised industries' external finance	281	359	304	235	138	53	38	-20	-40
Finance for public corporations(1)	136	164	155	92	45	-77	28	170	200
<b>Total other environmental services</b>	<b>4,458</b>	<b>4,777</b>	<b>4,932</b>	<b>4,903</b>	<b>4,960</b>	<b>5,193</b>	<b>5,063</b>	<b>5,270</b>	<b>5,420</b>

### Law, order and protective services

<b>Administration of justice</b>									
The penal system	481	551	644	706	773	974	1,060	1,130	1,190
Police	740	832	909	994	1,066	1,162	1,287	1,360	1,400
Police	2,825	3,063	3,480	3,477	3,800	4,222	4,506	4,670	4,800
Immigration and citizenship	45	60	65	67	75	86	95	100	100
Fire	635	688	736	785	857	964	934	950	980
Civil defence	49	61	67	70	73	96	99	100	100
Community services	23	23	23	24	26	28	27	30	30
Central and miscellaneous services	147	155	164	179	235	309	339	350	360
<b>Total law, order and protective services</b>	<b>4,944</b>	<b>5,433</b>	<b>6,089</b>	<b>6,304</b>	<b>6,904</b>	<b>7,840</b>	<b>8,348</b>	<b>8,690</b>	<b>8,960</b>

## Education and science

Local authority current									
Primary schools	3,219	3,327	3,440	3,619	4,108	4,596	4,860	5,120	5,340
Secondary schools	4,301	4,535	4,682	4,792	5,397	5,960	6,159	6,280	6,440
Special schools and schools support services	1,388	1,459	1,509	1,534	1,679	1,755	1,776	1,810	1,830
Local authority capital									
Schools	359	370	353	361	348	388	440	450	460
Central government schools									
Current	223	242	264	271	332	376	425	460	480
Capital	42	42	49	58	57	68	88	90	100
Non-advanced further education current	1,283	1,382	1,473	1,469	1,576	1,676	1,763	1,800	1,810
Advanced further education and voluntary colleges current	792	826	862	931	983	1,027	1,071	1,110	1,150
Further and higher education capital	149	146	157	167	170	177	88	90	90
Universities									
current	1,296	1,347	1,390	1,438	1,478	1,633	1,766	1,840	1,880
capital	124	122	124	138	154	162	159	160	160
Student awards and fees	965	1,044	1,067	1,039	1,056	1,129	1,180	1,220	1,250
Science	473	507	537	575	609	657	699	730	730
Research, administration and miscellaneous educational services	940	1,032	1,077	1,139	1,231	1,333	1,418	1,490	1,560
<b>Total education and science</b>	<b>15,554</b>	<b>16,380</b>	<b>16,984</b>	<b>17,529</b>	<b>19,178</b>	<b>20,938</b>	<b>21,891</b>	<b>22,660</b>	<b>23,300</b>

## Health and personal social services

Health									
Hospital and community health services	11,065	11,621	12,337	13,006	13,879	15,078	15,973	16,680	17,330
Family practitioner services	3,190	3,427	3,764	3,986	4,282	4,746	5,082	5,450	5,860
Central health and other services	430	500	567	637	704	745	762	790	810
<b>Total health</b>	<b>14,685</b>	<b>15,549</b>	<b>16,668</b>	<b>17,629</b>	<b>18,865</b>	<b>20,569</b>	<b>21,818</b>	<b>22,920</b>	<b>24,000</b>
Personal social services									
Local authority services	2,430	2,630	2,799	2,922	3,238	3,580	3,703	3,820	3,930
Central government services	112	119	125	130	137	147	152	160	170
<b>Total personal social services</b>	<b>2,542</b>	<b>2,749</b>	<b>2,924</b>	<b>3,052</b>	<b>3,376</b>	<b>3,728</b>	<b>3,855</b>	<b>3,980</b>	<b>4,100</b>
Finance for public corporations	4	13	23	23	27	12	10		
<b>Total health and personal social services</b>	<b>17,230</b>	<b>18,310</b>	<b>19,616</b>	<b>20,704</b>	<b>22,267</b>	<b>24,310</b>	<b>25,683</b>	<b>26,900</b>	<b>28,100</b>

## Social security

Pension benefits (contributory)	13,950	15,038	15,713	17,057	18,272	19,244	19,864	21,000	22,100
Widows' benefits	750	799	813	829	855	865	900	900	900
Unemployment, incapacity and other benefits	3,824	3,801	4,168	4,398	4,788	4,886	5,055	5,300	5,600
Industrial injury benefits	409	440	454	484	520	522	516	500	500
Family benefits (contributory)	154	148	167	171	176	71	46	100	100
Pension benefits (non-contributory)	49	50	48	52	56	56	54	100	100
War pensions	504	524	544	581	589	589	592	600	600
Disability benefits	836	1,030	1,225	1,439	1,740	1,988	2,110	2,300	2,500
Income Support / Social Fund(2)	6,506	5,871	6,744	7,751	8,307	8,459	9,078	9,700	10,200
Family benefits (non-contributory)	4,009	4,397	4,717	4,934	5,027	5,130	5,337	5,600	5,700
Housing benefits	1,088	2,645	3,049	3,369	3,634	3,943	4,194	4,400	4,700
Administration and miscellaneous services	1,370	1,525	1,650	1,698	1,839	2,098	2,242	2,300	2,400
<b>Total social security</b>	<b>33,450</b>	<b>36,267</b>	<b>39,292</b>	<b>42,763</b>	<b>45,805</b>	<b>47,850</b>	<b>49,987</b>	<b>52,700</b>	<b>55,300</b>

## Miscellaneous expenditure

Other public services	1,822	1,824	1,991	2,122	2,338	2,618	2,805	2,960	3,070
Common services	1,580	902	992	1,096	1,238	1,369	1,483	1,550	1,610
Finance for public corporations	-11	-14	-1	-12	-7	-7	-7	-10	-10
<b>Total miscellaneous expenditure</b>	<b>3,391</b>	<b>2,712</b>	<b>2,982</b>	<b>3,206</b>	<b>3,570</b>	<b>3,980</b>	<b>4,281</b>	<b>4,500</b>	<b>4,680</b>

## 1 Additional analyses

Local authority current expenditure not allocated to programmes							40	40	40
<b>Total of above</b>	<b>113,979</b>	<b>121,468</b>	<b>131,904</b>	<b>136,388</b>	<b>143,654</b>	<b>151,704</b>	<b>158,306</b>	<b>165,060</b>	<b>170,600</b>
Reserve							3,500	7,000	10,500
Privatisation proceeds	-488	-1,142	-2,132	-2,707	-4,422	-5,000	-5,000	-5,000	-5,000
Adjustment(3)						596			
<b>Planning total</b>	<b>113,491</b>	<b>120,326</b>	<b>129,772</b>	<b>133,681</b>	<b>139,232</b>	<b>147,300</b>	<b>156,806</b>	<b>167,100</b>	<b>176,100</b>

(1) Includes expenditure on Urban Development Corporations.

(2) Replaces Supplementary Benefit with effect from 1 April 1988.

(3) See paragraph 11(iii).

### Territorial analysis

41. More detailed information on public spending in each of the four countries of the United Kingdom was published in Hansard on [23] October 1988. This analysis, covering the period 1983-84 to 1987-88, allocates expenditure to England, Scotland, Wales or Northern Ireland. Such expenditure is termed "identifiable expenditure" and is defined as that expenditure which can be identified from official records as having been incurred in a particular country. As such it includes within the territories a wider coverage of expenditure than that for which the Secretaries of State for Scotland, Wales and Northern Ireland are directly responsible.

42. The latest year for which figures are available on this basis is 1987-88. Although the data published in Hansard do not incorporate the very latest information they do provide a clear guide to the territorial coverage of expenditure on each main function. **Table 1.9** below has been reproduced from the data in Hansard and summarises territorial expenditure by function.

**Table 1.9 Territorial spending by function, 1986-87**

	England	Scotland	Wales	Northern Ireland	Non identified	£ million United Kingdom
Defence					18,218	18,218
Overseas services					3,056	3,056
Agriculture, fisheries, food and forestry	675	229	115	170	1,161	2,351
Industry, energy, trade and employment	3,844	913	490	419	1,594	7,262
Arts and libraries	755	95	41	-	42	932
Roads and transport	4,721	602	350	121	-28	5,765
Housing	2,558	643	158	238	96	3,694
Other environmental services	3,907	593	326	198	173	5,198
Law, order and protective services	4,662	572	234	520	1,031	7,020
Education and science	15,228	2,250	932	700	82	19,191
Health and personal social services	17,945	2,454	1,131	761	27	22,318
Social security	37,306	4,265	2,405	1,402	432	45,810
Other public services	1,460	286	121	76	448	2,391
Common services	-81	-5	2	-	1,302	1,217
Privatisation proceeds					-4,403	-4,403
<b>Planning total</b>	<b>92,981</b>	<b>12,897</b>	<b>6,306</b>	<b>4,606</b>	<b>23,230</b>	<b>140,020</b>

### Public expenditure by economic category

43. The economic significance of components of public spending depends on their nature, for example whether they are transfer payments or expenditure on goods and services, current or capital. The public expenditure figures can be disaggregated into a number of economic categories. For the purposes of this White Paper seven aggregates, which are fully defined in the glossary, have been drawn from this detailed material:

- (i) **Public service pay** - the pay and pension costs of public sector employees;
- (ii) **Other current expenditure on goods and services** - including general administrative expenses and purchases of other goods and services which are not of a capital nature;
- (iii) **Subsidies** - payments to producers designed to reduce their prices;
- (iv) **Current grants to persons** - including social security benefits and grants towards the current expenditure of non-profit making bodies outside the public sector;
- (v) **Net capital expenditure on assets** - comprising expenditure on new construction, the purchase of land, buildings and other physical assets less the proceeds from their sales;
- (vi) **Capital grants** - to the private sector, nationalised industries and other public corporations;
- (vii) **Lending and other financial transactions** - comprising net lending to the private sector and public corporations, cash expenditure on company securities (including as negative public expenditure the proceeds from the sale of shares in nationalised industries) and the market and overseas borrowing of public corporations.

44. The above economic category breakdown is shown for each spending authority in **Table 1.10**. It shows that the largest element is payments to the personal sector (£57 billion) mainly pensions and other social security payments. Departmental running costs (see paragraphs 67-76 below) amount to about £14 billion. Other public service pay (mainly in local authorities, the Armed Forces and the National Health Service) accounts for £45 billion, and purchases of assets, goods and services from the private sector £37 billion. Further details of local authority capital and current spending are shown in **Section 2**.

**Pay** 45. As last year, no general assumption has been made about the rate of increase in pay and allowances in 1988-89 or thereafter. The Government wishes to see the development of greater flexibility, for example in the linking of pay to performance and in relating pay in different areas more closely to local labour market conditions. But if pay increases overall are unrealistically high there will be less money available for improving services and increasing investment and employment.



# 1 Additional analyses

**Table 1.10 Planning total by spending authority and economic category**

	1982-83 outturn	1983-84 outturn	1984-85 outturn	1985-86 outturn	1986-87 outturn	1987-88 estimated outturn	1988-89 plans	1989-90 plans	£ million 1990-91 plans
<b>Central government</b>									
Public service pay	18,818	19,829	20,765	22,065	23,592				
Other current expenditure on goods and services	17,592	18,685	21,101	21,984	22,757	49,982	52,307	54,544	56,673
Subsidies	2,763	2,411	2,446	2,693	2,514	2,679	2,615	2,702	2,842
Current grants to persons	37,061	38,959	42,083	45,694	49,318	51,054	52,747	56,086	58,325
Net capital expenditure on assets	2,809	2,810	3,239	3,765	3,372	3,711	4,119	4,445	4,578
Capital grants	2,046	2,239	2,183	2,110	2,144	1,971	1,990	1,870	1,779
Lending and other financial transactions	700	104	197	84	947	322	447	526	544
<b>Total central government</b>	<b>81,788</b>	<b>85,037</b>	<b>92,014</b>	<b>98,396</b>	<b>104,644</b>	<b>109,720</b>	<b>114,225</b>	<b>120,173</b>	<b>124,741</b>
<b>Local authorities</b>									
Public service pay	17,477	18,377	19,453	20,499	22,322				
Other current expenditure on goods and services	4,752	5,350	5,668	5,603	6,388	31,453	32,601	33,684	34,690
Subsidies	1,174	1,264	1,204	933	1,054	971	942	951	972
Current grants to persons	2,016	3,586	3,930	4,161	4,426	4,753	5,108	5,372	5,642
Net capital expenditure on assets	2,883	3,610	4,017	3,877	3,535	3,324	3,605	3,507	3,394
Capital grants	582	1,255	1,036	687	630	759	676	665	660
Lending and other financial transactions	248	-249	-357	-396	-485	-334	-290	-218	-137
<b>Total local authorities</b>	<b>29,132</b>	<b>33,192</b>	<b>34,950</b>	<b>35,363</b>	<b>37,872</b>	<b>40,926</b>	<b>42,642</b>	<b>43,961</b>	<b>45,221</b>
<b>Nationalised industries' external finance</b>									
Subsidies	1,808	1,855	2,693	2,131	1,719	1,778	1,142	1,068	1,046
Capital grants	65	43	31	220	253	261	248	177	153
Lending and other financial transactions	268	375	1,103	-642	-1,586	-1,584	-703	-1,277	-1,585
<b>Total nationalised industries' external finance</b>	<b>2,140</b>	<b>2,274</b>	<b>3,827</b>	<b>1,709</b>	<b>387</b>	<b>455</b>	<b>687</b>	<b>-32</b>	<b>-386</b>
<b>Other public corporations</b>									
<b>(a) External finance</b>									
Subsidies	215	248	285	275	214	234	251	266	274
Capital grants	230	245	236	265	281	332	396	448	470
Lending and other financial transactions	98	157	277	204	180	157	186	163	151
<b>(b) Expenditure</b>									
Subsidies	214	219	211	159	157	152	154	157	160
Net capital expenditure on assets	155	136	142	25	-71	-278	-227	-67	-31
Lending and other financial transactions	5	-40	-38	-9	-10	6	-8	-12	-1
<b>Total other public corporations</b>	<b>918</b>	<b>966</b>	<b>1,113</b>	<b>919</b>	<b>751</b>	<b>604</b>	<b>752</b>	<b>955</b>	<b>1,023</b>
<b>Planning total by economic category</b>									
Public service pay	36,294	38,206	40,217	42,564	45,914				
Other current expenditure on goods and services	22,344	24,034	26,769	27,587	29,145	81,435	84,908	88,228	91,363
Subsidies	6,174	5,998	6,839	6,192	5,659	5,814	5,104	5,143	5,295
Current grants to persons	39,077	42,545	46,013	49,854	53,745	55,808	57,856	61,458	63,967
Net capital expenditure on assets	5,847	6,557	7,398	7,667	6,836	6,757	7,496	7,886	7,940
Capital grants	2,923	3,783	3,486	3,281	3,308	3,323	3,310	3,159	3,062
Lending and other financial transactions	1,320	346	1,182	-759	-953	-1,433	-368	-818	-1,029
Reserve Privatisation proceeds							3,500	7,000	10,500
<b>PLANNING TOTAL</b>	<b>113,979</b>	<b>121,468</b>	<b>131,904</b>	<b>136,388</b>	<b>143,654</b>	<b>152,300</b>	<b>161,800</b>	<b>172,100</b>	<b>181,100</b>

## Public sector capital spending

46. The figures in **Table 1.10** on net capital expenditure on assets include purchases (net of sales) of land and existing buildings, vehicles, plant and machinery, and expenditure on construction. These elements together form what is called "gross domestic fixed capital formation" in the national accounts. However this does not provide a complete measure of the extent to which the public sector is either helping to renew or increase the nation's stock of physical assets. This is provided by a wider definition of public sector capital spending and departmental figures on this wider definition are shown in **Table 1.11**.

47. The main adjustments that need to be made to derive the figures for this wider definition of public sector capital spending are as follows:

- (i) Add the capital expenditure of nationalised industries and other public corporations.
- (ii) Deduct the purchase and sale of land and existing buildings, of which council house sales are by far the largest component, since such expenditure and receipts do not affect the nation's stock of physical assets.
- (iii) Use the NATO definition of defence capital expenditure, for which only provisional figures are available for the later years, rather than the conventional definition. The NATO definition of capital spending covers equipment (excluding ammunition) and construction but excludes spares and repair and maintenance. It gives a broad indication of expenditure of a capital nature as opposed to operating costs.
- (iv) Add capital grants to the private sector. These help to finance the private sector's renewal or creation of physical assets.

48. Total public sector capital spending is expected to rise from £22 billion in 1988-89 to nearly £25 billion in 1991-92. Compared with the plans in last year's White Paper, extra capital spending of about £1½ billion is expected in both 1989-90 and 1990-91. The increases expected are £0.3 billion and £0.4 billion for central government, £0.6 billion and £0.4 billion for local authorities and £0.7 billion and £0.9 billion for public corporations. **Table 1.11** shows the main contributions to this wider concept of public sector capital spending. The main contributions come from defence, housing, transport, health and the nationalised industries.

# 1 Additional analyses

**Table 1.11 Public sector capital spending(1) by spending authority and department**

	1982-83 outturn	1983-84 outturn	1984-85 outturn	1985-86 outturn	1986-87 outturn	1987-88 estimated outturn	1988-89 plans	1989-90 plans	£ million 1990-91 plans
<b>Central government</b>									
Defence	4,195	4,715	5,360	5,642	5,434	5,659	5,600	5,900	6,000
Foreign and Commonwealth Office (2)	9	12	13	13	18	28	32	30	30
Ministry of Agriculture Fisheries and Food (2)	127	149	136	108	77	97	101	90	90
Trade and Industry (2)	363	359	375	299	365	230	292	230	160
Energy	35	44	50	31	13	11	16		
Employment	44	47	57	58	62	74	62	60	80
Transport	666	637	707	729	759	880	893	910	950
DOE - Housing	502	873	791	748	680	706	675	670	650
DOE - Other environmental services	41	44	52	63	66	86	89	90	90
Home Office (2)	95	126	146	176	196	238	325	370	360
Education and Science	243	237	250	287	300	319	326	350	340
Arts and Libraries	15	14	16	21	22	36	59	70	70
DHSS - Health and personal social services	707	731	830	912	992	1,019	1,030	1,060	1,080
DHSS - Social security	9	23	21	48	77	87	143	200	210
Scotland	666	542	559	533	581	515	508	530	520
Wales	325	313	279	271	314	298	313	300	290
Northern Ireland	303	289	311	341	368	367	378	360	380
Chancellor's departments	21	19	37	78	117	145	138	130	140
Other departments (2)	97	86	138	145	120	111	90	90	80
<b>Total central government</b>	<b>8,466</b>	<b>9,261</b>	<b>10,128</b>	<b>10,503</b>	<b>10,561</b>	<b>10,908</b>	<b>11,068</b>	<b>11,430</b>	<b>11,510</b>
<b>Local authorities</b>									
Transport	700	764	814	669	585	566	665	670	680
DOE - Housing	2,193	2,877	2,890	2,492	2,347	2,575	2,730	2,630	2,540
DOE - Other environmental services	793	801	993	933	1,016	1,084	823	820	820
Home Office (2)	133	157	163	181	184	236	218	210	210
Education and Science	443	457	481	519	523	528	485	490	500
DHSS - Health and personal social services	76	86	95	102	107	119	111	110	110
Territories	1,079	1,333	1,219	1,226	1,332	1,525	1,448	1,520	1,530
Other	155	120	111	105	74	84	60	60	60
<b>Total local authorities</b>	<b>5,571</b>	<b>6,595</b>	<b>6,766</b>	<b>6,226</b>	<b>6,168</b>	<b>6,715</b>	<b>6,540</b>	<b>6,510</b>	<b>6,470</b>
<b>Public corporations</b>									
Electricity	1,632	1,847	1,737	1,648	1,597	1,575	1,765	1,930	2,510
British Steel Corporation	130	190	230	218	254	237	256	270	290
British Rail	239	224	341	400	427	391	498	560	550
Water	736	804	764	847	1,014	1,042	1,104	1,200	1,300
Other nationalised industries	1,042	920	592	985	922	1,015	1,139	1,100	1,100
Other public corporations	888	947	1,000	987	982	1,045	1,089	1,130	1,200
<b>Total public corporations</b>	<b>4,667</b>	<b>4,932</b>	<b>4,663</b>	<b>5,084</b>	<b>5,196</b>	<b>5,306</b>	<b>5,852</b>	<b>6,190</b>	<b>6,940</b>
<b>Total public sector capital spending</b>	<b>18,704</b>	<b>20,788</b>	<b>21,557</b>	<b>21,813</b>	<b>21,925</b>	<b>22,929</b>	<b>23,460</b>	<b>24,130</b>	<b>24,920</b>
Real terms (3) (base year 1986-87)	22,312	23,708	23,548	22,470	21,925	21,994	21,535	21,400	21,450

The figures for 1987-88, 1988-89, and 1989-90 make no allowance for allocations to capital spending from the Reserve.

(1) See Table 2.11 and paragraph 27 for the definition of public sector capital spending.

(2) See footnotes to Table 2.1.

(3) Real terms figures are the cash or plans adjusted to 1986-87 price levels by excluding the effect of general inflation as measured by the GDP deflator.

49. **Table 1.11** like **Table 1.12**, omits spending by nationalised industries that have been or are being privatised. (The exclusion of these industries provides a consistent series; aggregate spending by the public sector in 1987-88 and earlier years is understated as a result.) Capital spending by the nationalised industries omitted from the tables is shown as a footnote in **Table 1.12**.

50. **Table 1.12** starts by showing general government gross domestic fixed capital formation. It then goes on to show in more detail the adjustments necessary to derive public sector capital spending. It should be noted that both **Table 1.11** and **Table 1.12** exclude purchases of spares, and repair and maintenance work.

51. However, estimates of repair and maintenance work are available from the Department of Environment (DOE), using their statistics for output by the construction industry. DOE's coverage of the industry, and the definitions used, are not strictly comparable to those used in this White Paper. For example, in the DOE series, housing improvement work is excluded from capital construction. But the figures do give some indication of the increasing importance of repair and maintenance work in the public sector. They show that in 1979 about £4 billion was spent on repairing and maintaining the public sector capital stock. Expenditure has been steadily increasing, and it is estimated that in 1986 the public sector spent over £7 billion on repair and maintenance, including housing improvements.

52. **Tables 1.11** and **1.12** also exclude projects which the Government has decided should be financed and executed by the private sector but which would otherwise have been carried out by the public sector. The main project of this nature due to start in the coming year is the M25 Dartford Bridge.

# 1 Additional analyses

## Table 1.12 Public sector capital spending

	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89	1989-90	£ million 1990-91
	outturn	outturn	outturn	outturn	outturn	estimated outturn	plans	plans	plans
<b>General government gross domestic fixed capital formation</b>									
Purchases of land and existing buildings (net of sales)	-2,143	-1,763	-1,769	-1,796	-2,214	-2,905	-2,460	-2,520	-2,600
Construction									
Housing - new dwellings and improvements	1,681	1,871	2,033	1,923	1,858	2,029	2,203	2,100	2,020
Transport	1,191	1,147	1,264	1,271	1,249	1,300	1,460	1,480	1,520
Other	3,386	3,539	3,898	4,015	4,139	4,565	4,595	4,830	4,880
Purchases of vehicles, plant and machinery (net of sales)	1,223	1,393	1,492	1,561	1,744	1,933	1,629	1,660	1,700
<b>General government gross domestic fixed capital formation</b>	<b>5,339</b>	<b>6,187</b>	<b>6,918</b>	<b>6,973</b>	<b>6,776</b>	<b>6,921</b>	<b>7,427</b>	<b>7,550</b>	<b>7,510</b>
<b>Adjustments to derive public sector capital spending</b>									
Replace defence capital expenditure with that consistent with the NATO definition (1)									
deduct - capital expenditure included above	206	233	287	356	417	468	485	500	510
add - construction	395	484	603	688	726	733	5,600	5,900	6,000
add - equipment	3,800	4,231	4,757	4,950	4,705	4,926			
Add Nationalised industries' and public corporations' capital spending on assets (2)									
add - expenditure on dwellings	316	324	330	293	248	241	267	310	340
add - construction	1,917	1,907	1,666	1,542	1,604	1,735	1,863	1,860	2,040
add - purchases of vehicles plant and machinery	2,390	2,638	2,587	3,160	3,254	3,252	3,654	3,960	4,510
Adjustment to spending on assets									
deduct - purchases of land and existing buildings (net)	-2,143	-1,763	-1,769	-1,796	-2,214	-2,905	-2,460	-2,520	-2,600
deduct - sales of vehicles, plant and machinery	-6	-10	-15	-22	-30	-24	-30	-20	-20
<b>Total capital spending on assets</b>	<b>16,100</b>	<b>17,311</b>	<b>18,358</b>	<b>19,068</b>	<b>19,140</b>	<b>20,269</b>	<b>20,816</b>	<b>21,630</b>	<b>22,520</b>
<b>Capital grants to private sector</b>									
by general government	2,560	3,414	3,118	2,656	2,696	2,583	2,576	2,440	2,350
by public corporations	44	62	81	90	90	77	68	60	50
<b>Total capital spending on assets plus capital grants to the private sector</b>	<b>18,704</b>	<b>20,788</b>	<b>21,557</b>	<b>21,813</b>	<b>21,925</b>	<b>22,929</b>	<b>23,460</b>	<b>24,130</b>	<b>24,920</b>

The figures for 1988-89, 1989-90 and 1990-91 make no allowance for allocations to capital spending from the Reserve.

(1) The figures for 1987-88 and subsequent years are provisional.

(2) The capital expenditure figures exclude those nationalised industries which have been, or are being, privatised. The total figures for the industries involved in the years 1982-83 to 1987-88 are £2,770 million, £3,130 million, £2,290 million, £1,080 million, £610 million, and £40 million respectively. However, the figures for nationalised industries do include expenditure by London Regional Transport from 1985-86.

## Government spending on science and technology

53. The Government has strengthened its central arrangements for improving the contribution of government-funded research and development and other support for science and technology to the efficiency, competitiveness and innovative capacity of the United Kingdom. One component of the strengthened central structure is collective Ministerial consideration under the Prime Minister's leadership of science and technology priorities. Future public expenditure White Papers will reflect any changes in expenditure allocation arising from this consideration.

54. The Government determines the expenditure provision for each department's support for science and technology in the annual Public Expenditure Survey, and the consequent departmental expenditure programmes are summarised in **Table 1.13**. Details of past expenditure and future plans will continue to be published in the Annual Review of Government Funded Research and Development. The figures in **Table 1.13**, like those in the Annual Review of Government Funded Research and Development, are based on provision for research and development on the "Frascati" definition which is the internationally adopted basis for statistics on research and development. (In accordance with "Frascati", some of the research covered is in the humanities and social sciences. Details of the "Frascati" definitions are given in the OECD publication "The Measurement of Scientific and Technical Activities (The Frascati Manual)"). To these figures have been added provision for support for technology transfer, a key element in increasing the economic return for publicly funded research and development: this includes certain advisory services and technology demonstration projects because of their importance for the application of research and development in the private sector.

55. The largest departmental programmes include the Ministry of Defence, mainly for the development, testing and evaluation of equipment for the Armed Services, the Department of Trade and Industry and the Ministry of Agriculture, Fisheries and Food. The Department of Education and Science figures reflect funding for the Research Councils and support of research in universities through block grants allocated on the advice of the University Grants Committee (UGC)<sup>(1)</sup>. The Energy figures include the research and development work done by the United Kingdom Atomic Energy Authority (UKAEA) financed by the Department of Energy. The UKAEA is now operating as a trading fund and obtains other income from a number of sources including other government departments and the electricity generating boards. The figures do not include research and development by the nationalised industries.

56. **Table 1.13** shows that the total amount spent on research, development and technology transfer has increased from £3.8 billion in 1982-83 to £5.0 billion in 1987-88 and is planned to increase further to £5.2 billion in 1988-89 and to remain broadly level thereafter. The provision for 1988-89 and 1989-90 has been increased since the last White Paper by some £200 million in each year. This reflects mainly increased provision for Research Councils and universities and the launch aid for the new Airbus announced in May 1987.

<sup>(1)</sup> The figures for universities, which are supplied by the UGC, are based on a notional attribution of universities' departmental and central expenditure between research and other activities (including teaching) in the light of past surveys of spending by subject on items such as equipment and of academic time.

## 1 Additional analyses

57. Leaving aside defence, civil spending is expected to grow from £2.5 billion in 1986-87 to £2.9 billion in 1990-91. The slower growth in the later years reflects, in particular, the pattern of current commitments for launch aid spending by the Department of Trade and Industry which is expected to fall in 1990-91. No provision is made for future launch aid commitments.

**Table 1.13 Government spending on science and technology<sup>(1,2)</sup>**

	£ million									
	1982-83 outturn	1983-84 outturn	1984-85 outturn	1985-86 outturn	1986-87 outturn	1987-88 estimated outturn	1988-89 plans	1989-90 plans	1990-91 plan	
<b>Departments</b>										
Defence	1,765	1,984	2,176	2,341	2,332	2,421	2,458	2,410	2,351	
Foreign and Commonwealth Office (including Overseas Development Administration)	18	21	21	24	27	29	30	30	30	
Ministry of Agriculture, Fisheries and Food (including Forestry Commission)	150	152	158	159	165	154	164	160	161	
Trade and Industry	331	404	440	467	463	468	502	530	521	
Energy (including United Kingdom Atomic Energy Authority) <sup>(3)</sup>	250	243	237	227	193	184	211 <sup>(4)</sup>	210	211	
Employment (including Health and Safety Executive)	13	15	15	18	21	22	24	30	31	
Transport	26	29	37	27	29	31	31	30	30	
Environment	36	32	38	46	62	63	62	60	60	
Home Office (including Lord Chancellor's Department)	12	12	13	14	14	16	17	20	21	
Education and Science (including Research Councils and University Grants Committee)	1,135	1,195	1,240	1,324	1,389	1,488	1,575	1,630	1,651	
Arts and Libraries	10	10	11	11	12	12	13	10	10	
Health and social security	29	28	26	27	31	34	37	40	41	
Scotland	42	50	53	54	56	56	61	60	60	
Northern Ireland	9	15	11	14	17	18	20	20	21	
Other departments	17	5	5	5	8	7	7	10	10	
<b>Total</b>	<b>3,843</b>	<b>4,195</b>	<b>4,481</b>	<b>4,758</b>	<b>4,819</b>	<b>5,003</b>	<b>5,212</b>	<b>5,240</b>	<b>5,221</b>	
<i>Of which:</i>										
<i>Civil science and technology</i>	<i>2,078</i>	<i>2,211</i>	<i>2,305</i>	<i>2,417</i>	<i>2,487</i>	<i>2,582</i>	<i>2,754</i>	<i>2,840</i>	<i>2,861</i>	

The figures for 1988-89, 1989-90 and 1990-91 make no allowance for allocations to science and technology programmes from the Reserve.

<sup>(1)</sup> It should be noted that the figures provide for the full costs of employing staff and include, for example, the notional superannuation costs of employing civil servants.

<sup>(2)</sup> These figures are based on an internationally accepted definition of research and development (the "Frascati" definition) plus technology transfer expenditure. In accordance with the "Frascati" definition, some of the research covered is in the humanities and social sciences. This amounts to some £260 million in 1986-87, of which around £90 million was in the humanities and around £170 million in the social sciences.

<sup>(3)</sup> The Energy figures exclude certain programmes classed as research and development for Public Expenditure Survey purposes (and therefore included in the table and text of the Department of Energy's chapter - see Chapter 6 of Volume II) because they are not within the "Frascati" definition.

<sup>(4)</sup> Some £20 million of this expenditure represents accounting changes to include a technical adjustment to the timing of payments made to the UKAEA by the Department of Energy (see Chapter 6 of Volume II) and payments to the UKAEA by the EC.

## Gross running costs and manpower

### Running costs

58. Departments' current expenditure on personnel, goods and other services used in their own administration has since 1986-87 been defined as running costs. These are normally controlled gross, in order to display true costs and to encourage proper management control. However, for activities whose costs are met by receipts, exemption from gross control may be agreed wherever suitably robust monitoring and management systems are developed.

59. All departments have agreed running costs plans for 1988-89 which will be translated into running costs limits when the 1988-89 Estimates are presented to Parliament. These limits will be published in the Summary and Guide to those Estimates.

60. During the House of Commons debate on Cm 288, the Government announced that the main emphasis in the control and planning of departments' use of resources will from 1988-89 be on their cash provision for running costs; and that overall manpower targets would not be set beyond 1 April 1988 although the Government would retain a close interest in the trend of Civil Service numbers.

61. Annual spot-date manpower ceilings agreed for each survey period were an important means of encouraging medium-term management planning by departments. Departmental planning of all running cost resources now needs to continue on a similar time horizon within a realistic but suitably controlled expenditure framework. Departments' manpower totals will continue to be monitored and projected forward (see Table 1.15), but after 1 April 1988 in terms of financial year averages, not spot-date targets, for 1 April 1988 departments' spot-date targets remain in place.

62. The Government's aim is that departments should build on the financial management improvements progressively introduced in recent years by reflecting in their forward planning of running costs a commitment to annual efficiency gains benefiting both their costs and the value of their services. The target is for progressive efficiency gains equal to at least 1½ per cent of running costs expenditure each year, with options being prepared to offset any unforeseen pressures within agreed provision.

63. For those departments whose management planning and budgeting already enables them to project suitable efficiency gains, the cash provision for running costs for 1989-90 and 1990-91 given in their programme chapters represent agreed commitments. In other cases, the figures for the later years are provisional, pending review in the 1988 Survey. In all cases the provision for 1988-89 given in Table 1.14 is firm.

64. Table 1.14 shows the individual departmental plans for gross running costs (on which the 1988-89 limits will be based) compared with the outturn for 1986-87 and the estimated outturn for the current year. Between 1987-88 and 1988-89 the overall increase is 5.7 per cent. This includes an additional allowance for maintenance of the Government's civil estate. The limits published in the Summary and Guide to the 1987-88 Estimates (Cm 94) showed an increase over the 1987 White Paper plans of approximately £26 million (mainly due to additional provision for new employment measures and social security benefit administration £71 million partly offset by revised coverage in the Department of Employment and the



Office of the Minister for the Civil Service (-£34 million)). The 1987-88 estimated outturn figures in **Table 1.14** include changes in limits that have been announced during the year (+£104 million).

65. The figures in **Table 1.14** also incorporate some new changes in coverage which affect all years. A technical adjustment of -£516 million to the classification of the Property Service Agency's receipts, affecting only the interdepartmental payments line, has been made in 1987-88 and some expenditure funded from the running costs of other departments has been excluded -£115 million to avoid it being counted twice in the aggregate figures. Four further areas, the Vehicle Inspectorate (of the Department of Transport), the Land Registry, the Companies Registration Offices and the National Measurement Accreditation Service (of the Department of Trade and Industry) have met the criteria for exemption from gross running costs control (-£133 million). Further details of departmental plans for running costs are included in each departmental chapter in **Chapters 1 to 20** of this White Paper.

Table 1.14 Departmental running costs

	£ million		
	1986-87 outturn	1987-88 estimated outturn	1988-89 plans
<b>Departments</b>			
Defence(1)(4)	5,170	5,189	5,408
Foreign and Commonwealth Office			
Foreign and Commonwealth Office	368	397	406
Overseas Development Administration	37	38	43
Ministry of Agriculture, Fisheries and Food			
Intervention Board for Agricultural Produce	10	13	15
Ministry of Agriculture, Fisheries and Food(4)	206	215	236
Trade and Industry(2)(4)	244	264	288
Energy	25	26	28
<b>Employment Group</b>			
Department of Employment	542	589	602
Advisory Conciliation and Arbitration Service	14	15	16
Health and Safety Commission/Executive	84	87	94
Manpower Services Commission	210	223	229
Total Employment Group(4)	851	914	941
<b>Transport</b>			
DOE-Housing and other environmental services(4)	144	156	162
<b>Home Office and legal departments</b>			
Home Office(4)	708	773	812
Lord Chancellor's Department(4)	177	195	214
Northern Ireland Court Services	10	11	11
Director of Public Prosecution and Crown Prosecution Service	47	103	110
Serious Fraud Office		2	5
Crown Office	15	17	19
Total Home Office and legal departments	958	1,101	1,170
<b>Education and Science(4)</b>			
Arts and Libraries(4)	5	6	2
DHSS-Health and personal social services and social security(4)	1,526	1,703	1,781
<b>Scotland</b>			
Scottish Office	160	172	195
Scottish Courts Administration	17	19	23
Scottish Records Office	2	2	2
Registrar General's Office Scotland	4	4	5
Department of the Registers of Scotland	10	11	13
Total Scotland(4)	193	209	238
<b>Wales</b>			
Northern Ireland(3)	442	476	509
<b>Chancellor's departments</b>			
Central Office of Information	18	20	21
Customs and Excise	373	409	464
Registry of Friendly Societies	3	3	5
Government Actuary	2	2	2
Inland Revenue	924	1,012	1,081
National Investment and Loans Office	1	1	1
Department for National Savings	151	155	161
H M Treasury	63	67	71
Total Chancellor's departments(4)	1,536	1,669	1,806

## 1 Additional analyses

### Other departments

Office of the Minister for the Civil Service	25	28	29
Cabinet Office	17	18	20
Charity Commission	5	6	7
Ordnance Survey	49	52	56
Paymaster General's Office	13	14	15
Privy Council Office	1	1	1
Public Records Office	11	11	12
Office of Fair Trading	8	9	10
Office of Gas Supply	1	1	2
Office of Telecommunications	3	4	5
Office of Population Censuses and Surveys	32	34	38
Treasury Solicitor's Department	11	12	14
Property Services Agency(4)	104	95	136
<b>Total other departments</b>	<b>280</b>	<b>287</b>	<b>343</b>
<b>Gross running costs total</b>	<b>12,310</b>	<b>12,997</b>	<b>13,741</b>
Less interdepartmental payments for services provided (recorded gross above)	-245	-259	-265
<b>Running costs total</b>	<b>12,066</b>	<b>12,738</b>	<b>13,476</b>

(1)Running costs coverage includes the pay of Armed Forces personnel only where they are engaged in headquarters and support activities (some 57,000).

(2)Excluding Export Credits Guarantee Department (ECGD). ECGD's running costs are met from trading income and are therefore not included in the public expenditure planning total. However, ECGD will be set a running cost limit as for other government departments. The planned figure for 1988-89 is £39 million compared with a 1987-88 estimated outturn of £35 million. Outturn for 1986-87 was £33 million.

(3)Figures cover both the Northern Ireland Office and the Northern Ireland Departments.

(4)Property Services Agency (PSA) running costs limits include additionally elements in respect of accommodation services shown above in the plans of other departments.

The agreed figures are as follows:

	1986-87 outturn	1987-88 estimated outturn	£ million 1988-89 plans
Ministry of Defence		1	
Ministry of Agriculture, Fisheries and Food		1	
Department of Trade and Industry		3	
Department of Employment		2	
Department of the Environment	5	6	7
Home Office		2	
Lord Chancellor's Department		5	
Department of Education and Science	1		
Office of Arts and Libraries	4	5	
Department of Health and Social Security		3	
Scotland		1	
Customs and Excise		1	
Inland Revenue		1	

## Public sector manpower

66. **Table 1.15** provides a summary of public sector manpower (including the Armed Forces) from 1978-79. It also includes the current target for the Civil Service at 1 April 1988 and the individual departmental plans for 1988-89, 1989-90 and 1990-91. **Chart 1.16** shows the changing pattern of manpower in the public sector between 1978-79 and 1986-87.

### Civil Service

67. Between 1978-79 and 1986-87 Civil Service numbers fell by 137,900, a reduction of 19 per cent. The figures in **Table 1.15** for the Civil Service take account of the changes in individual departmental plans since Cm 288. Significant increases have been agreed for the Department of Health and Social Security (to handle an increasing workload in local offices) and the Employment Group (implementation of the January 1987 package of employment measures); these mainly reflect the carry forward of increases in numbers agreed for the 1987-88 Estimates. Other increases include extra staff for the Land Registry (increased demand for conveyancing) and for Customs and Excise (prevention of drug trafficking; VAT work). The largest reductions have been provided by the Ministry of Defence, due to further measures to increase efficiency, and the Home Office, reflecting current manpower plans in the Prison Department. The Government has announced that no further overall manpower targets will be set beyond 1 April 1988; but any extra manpower will have to be consistent with the relevant running costs provision. Accordingly the figures shown in the table for 1988-89 to 1990-91 are indicative planning totals and not control targets. Certain self-financing bodies have been exempted from gross running costs control. The relevant staff numbers have been deducted from the departments concerned and included in the line "other Civil Service manpower". The figures for these staff for each of the "actual" years shown in the table are estimates.

### Armed Forces

68. Between 1978-79 and 1986-87 Armed Forces manpower (including locally engaged personnel) rose by 1½ per cent. However, numbers are expected to fall from 329,600 in April 1987 to 327,100 in April 1989. This reflects the Government's aim of making more efficient use of the manpower needed to support the defence programme.

### National Health Service

69. The number of whole time equivalent staff in post in the National Health Service in Great Britain has increased by 6 per cent since September 1978. At 30 September 1986 there were more front line staff than ever before - 13,000 more doctors and dentists, 22,000 more professional and technical staff, and 65,000 more nursing and midwifery staff than at 30 September 1978. Health authorities' initiatives and cost improvements continue to provide the means to improve the use of manpower.

### Local authorities

70. Expenditure on manpower accounts for about three-quarters of local authorities' relevant current expenditure. Local authorities in Great Britain reduced staff numbers by 4 per cent between June 1979 and June 1982. Apart from people sponsored for the Community Programme, the total then remained broadly constant until 1986-87 since when numbers have been increasing. The numbers in education have fallen, as might be expected given the fall in school rolls, whereas the numbers of those employed on law and order have been increased in line with the Government's priorities in this area. Recent reports by the Audit Commission have demonstrated the importance of the better use of manpower in securing value for money improvements.

**Public corporations**

71. Numbers in this area have fallen by 43 per cent. Most of this is accounted for by a reduction in nationalised industries manpower. This reflects the effects of the privatisation programme (eg British Telecom and British Gas) and of increased productivity in those industries that remain in the public sector.

**Others**

72. In manpower terms the most significant bodies in this category are the Northern Ireland Government Service and the Research Councils. Numbers have fallen by 4 per cent since 1978-79. Northern Ireland Departments are subject to the running costs procedures; accordingly the figures shown for the years 1988-89 to 1990-91 are indicative planning totals not control targets.

Table 1.15 Public sector manpower

	thousands, whole time equivalents										
	1978-79	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1.4.88	1988-89	1989-90	1990-91
	actual	actual	actual	actual	actual	actual	actual	target	plans	plans	plans
<b>Central government departments <sup>(1)</sup></b>											
Defence	226.1	203.1	193.9	185.8	177.6	171.8	167.4	146.0 <sup>(2)</sup>	145.5	145.0	145.0
Foreign and Commonwealth Office	9.8	9.3	9.2	8.8	8.3	8.1	8.0	8.2	8.2	8.2	8.2
Overseas Development Administration	2.3	2.0	1.9	1.8	1.7	1.5	1.5	1.6	1.6	1.6	1.6
Ministry of Agriculture, Fisheries and Food	14.0	12.7	12.3	11.8	11.4	11.2	10.7	10.7	10.7	10.7	10.7
Intervention Board for Agricultural Produce	0.5	0.6	0.6	0.6	0.7	0.7	0.8	0.9	0.9	0.9	0.9
Trade and Industry	17.1	15.6	14.8	13.6	12.6	12.6	12.6	12.8	12.7	12.7	12.7
Export Credits Guarantee Department	2.0	1.8	1.8	1.8	1.8	1.8	1.7	1.7	1.7	1.6	1.6
Energy	1.3	1.2	1.1	1.1	1.1	1.1	1.0	1.0	1.0	1.0	1.0
Employment	53.6	56.2	58.2	57.1	55.6	55.2	58.0	61.4	60.8	60.6	60.6
Transport	14.2	13.4	13.0	13.6	14.3	14.6	14.5	12.5	12.4	12.4	12.4
Department of the Environment	12.5	9.5	8.3	7.2	6.6	6.5	6.5	6.6	6.6	6.6	6.6
Home Office	33.3	35.0	34.8	35.8	36.5	37.0	37.6	38.9	40.3	41.3	41.2
Lord Chancellor's Department	10.6	10.0	10.2	10.2	10.1	10.2	10.2	10.6	10.7	10.8	10.9
Education and Science	3.7	3.6	3.5	2.9	2.4	2.4	2.4	2.5	2.5	2.5	2.5
Arts and Libraries						0.1	0.1	0.1	0.1	0.1	0.1
DHSS - Health and personal social services and social security	97.6	96.7	95.0	92.4	91.6	92.8	94.7	102.7	97.5	96.5	96.5
Scotland	12.8	12.6	12.4	12.0	11.9	12.0	12.0	12.2	12.3	12.2	12.3
Wales	2.5	2.3	2.2	2.2	2.2	2.3	2.3	2.2	2.2	2.2	2.2
Northern Ireland Office	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Customs and Excise	28.8	26.5	25.8	25.3	25.3	25.3	25.3	26.6	27.1	27.4	27.9
Inland Revenue	84.9	74.8	73.5	71.5	69.8	69.5	68.8	68.0	67.5	67.5	67.5
Chancellor's other departments	15.1	14.3	14.0	13.2	12.6	12.3	12.1	11.7	11.7	11.6	11.6
Property Services Agency	36.8	29.2	27.3	26.0	24.8	23.9	23.1	22.4	22.2	22.0	21.9
Other departments <sup>(3)</sup>	19.0	17.8	16.5	16.5	17.0	17.4	19.7 <sup>(4)</sup>	23.1	25.2	25.9	26.7
<b>Total Civil Service manpower in running costs</b>	<b>699.1</b>	<b>648.4</b>	<b>630.6</b>	<b>611.1</b>	<b>596.0</b>	<b>590.4</b>	<b>591.2</b>	<b>586.7</b>	<b>582.4</b>	<b>582.6</b>	<b>584.5</b>
Trading funds <sup>(1)</sup>	34.9	29.6	27.0	25.3	25.2 <sup>(5)</sup>	6.3 <sup>(2)</sup>	6.3	6.3	6.2	6.2	6.1
Other Civil Service manpower <sup>(6)</sup>								2.2	2.2	2.2	2.1
<b>Civil service manpower totals</b>	<b>734.0</b>	<b>678.0</b>	<b>657.6</b>	<b>636.4</b>	<b>621.2</b>	<b>596.7</b>	<b>597.5</b>	<b>595.2</b>	<b>590.8</b>	<b>591.0</b>	<b>592.7</b>
Armed Forces <sup>(1,7)</sup>	326.2	340.6	334.2	333.4	336.2	334.5	333.1	328.2	327.7		
National Health Service <sup>(8)</sup>	923	998	1,007	1,006	995	989	981				
<b>Northern Ireland Government Service<sup>(8)</sup></b>											
Education, Fire, Royal Ulster Constabulary	65	66	67	68	68	68	69				
Other Northern Ireland Government Service	79	83	83	83	80	77	80				
Research Councils <sup>(9)</sup>	17	17	16	16	16	12	11				
Other central government <sup>(9)</sup>	50	49	44	43	43	44	42				
<b>Local authorities community programme<sup>(9)</sup></b>											
Local authorities (other non-trading) <sup>(9,11)</sup>	2,073	2,064	2,040	2,043	2,041	2,040	2,054				
<b>Manpower in planning total (excluding trading funds)</b>	<b>4,232</b>	<b>4,266</b>	<b>4,222</b>	<b>4,225</b>	<b>4,220</b>	<b>4,207</b>	<b>4,227</b>				
Nationalised industries <sup>(9)</sup>	1,843	1,656	1,538	1,444	1,396	1,124	1,049				
Other public corporations <sup>(9,10)</sup>	203	190	185	185	181	115	112				
Local authorities (trading) <sup>(9,11)</sup>	252	242	234	235	234	234	232				
<b>Total public sector</b>	<b>6,565</b>	<b>6,384</b>	<b>6,206</b>	<b>6,115</b>	<b>6,056</b>	<b>5,686</b>	<b>5,627</b>				

<sup>(1)</sup> Financial year averages (except for 1.4.88 spot-date).

<sup>(2)</sup> Manpower for Royal Ordnance Factories excluded since incorporation as a Companies Act company in January 1985, and Royal Dockyards since contractorisation in April 1987.

<sup>(3)</sup> Includes the Crown Estate Office.

<sup>(4)</sup> Includes the Crown Prosecution Service from 1986 onwards.

<sup>(5)</sup> Estimate for 1 October 1984.

<sup>(6)</sup> Includes certain self-financing bodies controlled outside the gross running costs system, viz Driver Testing and Training and Civil Service

## 1 Additional analyses

College (OMCS) with effect from 1 April 1987; Land Registry, the Vehicle Inspectorate and the Companies Registration Offices from 1 April 1988.

<sup>(7)</sup> Including locally engaged personnel. Armed Forces' numbers beyond 1 April 1989 are subject to review.

<sup>(8)</sup> At 30 September.

<sup>(9)</sup> At 1 July.

<sup>(10)</sup> Includes United Kingdom Atomic Energy Authority.

<sup>(11)</sup> Including Northern Ireland. References to local authority manpower in Chapter 1 relate to Great Britain only.

NB. Manpower projections for future years are not included for local authorities, the National Health Service, public corporations and other central government. The Government does not directly control manpower numbers in these areas. Its influence is exercised essentially through expenditure and financial controls.

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[CHART 1.16]

## Privatisation

73. In 1979 the state sector of industry accounted for 11½ per cent of GDP. Following the sale of BAA more than a third of that has been transferred to the private sector. In total this has involved the transfer of around 650,000 employees, around 90 per cent of whom have become shareholders in the companies they work for.

74. The privatisation programme has also made a substantial contribution to the increase in share ownership among the public generally. Survey evidence suggests that at the beginning of 1987 there were 8½ million adult shareowners, treble the number in 1979. Since then the British Airways, Rolls-Royce and BAA sales have further boosted share ownership.

75. It is too soon to make a full assessment of the impact on company performance. However, most privatised companies are reporting increased turnover, investment, and profitability. This is consistent with the government's expectation that the incentives and commercial pressures of the private sector, together with greater freedom for management, would have clear benefits for the performance of the businesses concerned.

76. The momentum of the privatisation programme will be maintained in the next few years. The Government's central estimate of receipts in each of the four years 1987-88, 1988-89, 1989-90 and 1990-91 is £5 billion. The Government is firmly committed to Electricity and Water privatisation, and further opportunities for the transfers of public sector activities to the private sector will be considered.

77. The cost to the Bank of England of acquiring partly-paid British Petroleum shares under the support arrangements announced by the Chancellor on 29 October is being offset against privatisation proceeds but is not incorporated into the figures in this White Paper. The Bank of England has undertaken not to dispose of any shares acquired under these arrangements until 29 April 1988, except at a price in excess of 120p. The proceeds of any resale of partly-paid BP shares will be added to privatisation proceeds in the year or years concerned.

78. **Table 1.17** gives a breakdown of privatisation proceeds from 1982-83 to 1986-87. Detailed estimates for future receipts from privatisation proceeds are not shown because they are dependant on commercially sensitive assumptions about further sales.



Table 1.17 Privatisation proceeds

	£ million				
	1982-83 outturn	1983-84 outturn	1984-85 outturn	1985-86 outturn	1986-87 outturn
Associated British Ports Holdings plc - sale of shares	46		51		
British Aerospace plc - sale of shares				346	
British Airways plc - sale of shares					435
British Gas plc - sale of shares					1,796
British Gas plc - redemption of debt					750
British Petroleum plc - sale of shares		543			
British Telecommunications plc - sale of shares			1,352	1,246	1,084
British Telecommunications plc - loan stock			44	61	53
British Telecommunications plc - redemption of preference shares					250
Britoil plc - sale of shares	334 <sup>(1)</sup>	293		426	
Cable and Wireless plc - sale of shares		263		571	4
Enterprise Oil plc - sale of shares			382		
National Enterprise Board/British Technology Group - sale of shareholdings			142	30	34
Crown Agents Holding and Realisation Board - sale of property	16	2			
Forestry Commission - sale of land, plantations and buildings	14	23	21	17	13
Land Settlement Association - sale of land			13	5	1
Lease on motorway service areas - sale of land and buildings	4	1			2
New Town Development Corporations and Commission for the New Towns - sale of land and buildings	1 <sup>(2)</sup>				
North Sea Oil Licence Premia			121		
Property Services Agency - sale of land and buildings	33	11			
Sale of oil stockpiles					
<b>Total</b>	<b>488<sup>(3)</sup></b>	<b>1,142<sup>(4)</sup></b>	<b>2,132<sup>(5)</sup></b>	<b>2,702<sup>(6)</sup></b>	<b>4,422</b>

<sup>(1)</sup> Includes repayment of debentures of £88 million with interests.

<sup>(2)</sup> Sale of commercial and industrial property by Cymbran Development Corporation.

<sup>(3)</sup> Excludes receipts from the sale of British Rail Hotels (£30 million) and British Airways' subsidiary International Aeradio Ltd (£60 million), which were retained by the industries concerned and taken into account in the setting of external financing limits.

<sup>(4)</sup> Excludes receipts from the sale of British Rail Hotels (£15 million) which were retained by the industry and taken into account in setting its external financing limits.

<sup>(5)</sup> Excludes receipts from the sale of Jaguar Cars (£297 million), British Gas Corporation Onshore Oil Assets (£82 million) and Sealink (£40 million) which were retained by the industries concerned and taken into account in the setting of external financing limits.

<sup>(6)</sup> Excludes receipts from the sale of British Shipbuilders warship yards (£75 million) and a further payment for Sealink (£26 million) which were retained by the industries concerned and taken into account in setting their external financing limits.

## Relationship between plans and control totals

### Departmental aggregates

79. Public expenditure plans are formulated on a departmental basis and this is now reflected in all the publications relating to public expenditure. In earlier years the White Paper was produced on a programme basis and it was therefore difficult to reconcile the figures with those shown in the Autumn Statement and Supply Estimates. However, in the 1986 public expenditure White Paper (Cmnd 9702) the departmental breakdown was adopted as a focus of the analyses of the public expenditure plans and the same breakdown was used to arrange the 1986-87 Estimates into classes. The same grouping of departments is used in this White Paper and will follow through into the classes for the 1988-89 Estimates. The Autumn Statement gives a slightly more detailed departmental breakdown than the summary tables in this White Paper; the additional detail is, however, available in the tables in **Chapters 1 to 20**. For example, separate figures for Overseas Development Administration are given in **Chapter II**.

80. **Table 1.19** shows the relationship between the public expenditure planning total for 1988-89 and the various control totals which will operate during the year. It summarises the departmental figures that are in **Chapters 1 to 20**.

### Relationship with Supply Estimates

81. The plans for central government spending shown in **Table 1.3** provide the basis for the Supply Estimates which will be presented

to Parliament. The first two columns of **Table 1.18** show the extent to which central government expenditure will be directly covered by monies voted by Parliament. Precise proposals for the level of voted expenditure, and the relationship with the figures shown in this table, will usually be put forward on Budget Day as part of the Supply estimates for 1988-89. More detailed information on the relationship between these figures and Estimates will be contained in the Summary and Guide to main Estimates. The main Estimates for 1988-89 will reflect the result both of the detailed work involved in the preparation and scrutiny of Estimates and of any agreed claims on the Reserve.

### Cash limits

82. About 40 per cent of public expenditure is directly covered by cash limits. **Table 1.18** shows the extent to which central government expenditure voted in Estimates will be subject to cash limits. In addition to the 40 per cent a further 20 per cent of public expenditure is local authority current expenditure and here most of Aggregate Exchequer Grant is subject to cash limits. The majority of cash limits are based on the Supply Estimates and cover both direct public expenditure by central government and its voted grants and lending to other public sector bodies. The cash limits on Estimates will be formalised in the Summary and Guide to the 1988-89 Estimates.

83. Some expenditure outside the scope of the Supply Estimates is also subject to cash limit control, principally certain expenditure by Northern Ireland departments and capital expenditure by local authorities. The nationalised industries' contribution to public expenditure is controlled by means of external financing limits, which are a form of cash limit for individual industries. These limits set a ceiling to the amount of finance, in the form of grants and borrowing, that an industry can raise in a given year from external sources (this is equivalent to the difference between its capital requirements and its internally generated funds).

Table 1.18 Planning total by department and spending authority for 1988-89

Departments	£ million								
	Central government			Local authorities	Public corporations <sup>(1)</sup>		Planning total		
	Voted in Cash limited	Estimates Other	Other		Voted in Estimates	Other	Voted in Estimates	Other	Total
Defence	18,980						18,980		18,980
Foreign and Commonwealth Office (2)	1,851	97	148		34	-2	1,982	146	2,128
European Communities	-205	-1,628	2,288				-1,834	2,288	454
Ministry of Agriculture, Fisheries and Food (2)	480	1,796	1	198	20		2,296	199	2,495
Trade and Industry (2)	652	435		91	68	-153	1,155	-62	1,093
Energy	294	176			390	-904	860	-904	-43
Employment	3,976		158	131	1		3,976	289	4,265
Transport	1,312	118	-9	2,704	858	94	2,288	2,789	5,077
DOE - Housing	46	1,175	97	1,670	88	-75	1,309	1,692	3,001
DOE - Other environmental services	413	21		3,295	256	-84	690	3,211	3,902
Home Office (2)	1,496	649	-164	4,658			2,144	4,494	6,638
Education and Science	2,652	69		14,616			2,721	14,616	17,337
Arts and Libraries	52						52		52
DHSS - Health and personal social services	12,831	4,076	15	3,018		-72	16,907	2,960	19,867
DHSS - Social security	1,122	16,282	26,470	3,578			17,404	30,048	47,452
Scotland	2,539	1,022	-2	4,338	190	36	3,752	4,373	8,125
Wales	1,085	487	8	1,686	90	14	1,662	1,709	3,371
Northern Ireland	182		3,762	727		378	182	4,867	5,049
Chancellor's departments	1,900	500	21			-7	2,400	14	2,414
Other departments (2)	186	1,465	-21				1,650	-21	1,629
Reserve			5,500					5,500	5,500
Privatisation proceeds			-5,000					-5,000	-5,000
Adjustment (2)									
<b>Planning total</b>	<b>51,844</b>	<b>26,737</b>	<b>33,271</b>	<b>40,710</b>	<b>1,995</b>	<b>-773</b>	<b>80,576</b>	<b>73,207</b>	<b>153,784</b>

(1) Details of individual public corporations included in this table are shown in Table 4.1 in Chapter 4.

(2) See footnotes to Table 2.1.

### Differences from last year's White Paper (Cm 288)

84. Tables 1.19 and 1.20 show the changes in plans and outturn since last year's White Paper. They summarise the differences between, on the one hand, the data for public expenditure outturn and the plans published in this White Paper, and on the other, the figures from Cm 288 adjusted to the same definitions.

85. It should be noted that the departmental groupings used in this White Paper are the same as those in Cm 288 with the exception of the Home Office. In Cm 288 the Home Office and Lord Chancellor's Department were combined whereas in this White Paper all the legal departments, comprising the Lord Chancellor's Department, Northern Ireland Court Service, the Crown Prosecution Service, the Serious Fraud Office and the Crown Office, Procurator Fiscal Service and Lord Advocate's Department, are included with the Home Office.

86. There are a number of ways in which changes in definition and classification can arise between one White Paper and the next. For example, attribution to spending authority may be altered reflecting a transfer of responsibility, expenditure on a service may be reallocated to another department or the economic classification of a particular item may be reassessed. Such changes do not usually affect the total of public expenditure. Examples of changes of this

kind which have been made since Cm 288 are:

(i) The Housing Corporation's classification has been changed from that of a public corporation to a central government trading body in respect of its England and Wales activities.

(ii) Responsibility for the inner cities initiative has been transferred from the Department of Employment to the Department of Trade and Industry.

(iii) Responsibility for the British Museum (Natural History) has been transferred from the Department of Education and Science to the Office of Arts and Libraries.

(iv) Various responsibilities have been switched between the Office of the Minister for the Civil Service and the Treasury concurrently with the abolition of the Cabinet Office's Management and Personnel Office.

87. Other changes in the definition of public expenditure may affect the total of public expenditure, for example, to reflect more closely the extent to which a service makes a call on taxation or government borrowing or because an item of expenditure is taken into account for the first time. Several definitional changes have been made since the publication of Cm 288:

(i) The losses attributable to the Export Credits Guarantee Department's tender to contract facility have been written out of ECGD's trading account following the facility's transfer to public expenditure last year. They are now recorded in the public expenditure planning total, against the years in which they arose.

(ii) The Northern Ireland Housing Executive and the Development Board for Rural Wales (New Town activities) have been accorded external finance treatment in the planning total.

(iii) Letchworth Garden City Corporation is included for the first time, as a public corporation.

(iv) The Bank of England's investment in fixed assets, which is financed from its own resources, is no longer included in the public expenditure planning total.

## 1 Additional analyses

**Table 1.19 Summary of differences from Cm 56<sup>(1,2)</sup> by department**

	£ million					
	1984-85 outturn	1985-86 outturn	1986-87 outturn	1987-88 estimated outturn	1988-89 plans	1989-90 plans
<b>Departments</b>						
Defence		-3	-438	+68	+229	+490
Foreign and Commonwealth Office <sup>(3)</sup>		-7	-46	-11	+27	+60
European Communities	+4	-15	-12	+516	+346	+400
Ministry of Agriculture, Fisheries and Food <sup>(3)</sup>		-13	-147	-198	-179	-160
Trade and Industry <sup>(3)</sup>		+5	+706	-224	+288	+310
Energy			-419	+350	+163	+50
Employment		-1	-29	-54	+32	-10
Transport	-1	+46	-184	-420	+64	-20
DOE-Housing		+115	-194	-771	-15	-110
DOE-Other environmental services		+3	-220	+164	-61	+90
Home Office <sup>(3)</sup>		+15	-147	+243	+391	+480
Education and Science		-53	-251	+583	+634	+810
Arts and Libraries		+7	+1	+59	+62	+80
DHSS-Health and personal social services		-2	-23	+441	+816	+930
DHSS-Social security	-21	-34	-57	+399	+1,009	+1,800
Scotland	+3	-10	-75	+250	+395	+390
Wales	-3	+2	+30	+117	+153	+160
Northern Ireland	+25	+34	-9	+40	+105	+130
Chancellor's departments	+1	+1	-10	+94	+151	+180
Other departments <sup>(3)</sup>			-98	-68	-21	-40
Reserve				-3,500	-2,000	-500
Privatisation proceeds		-5	+328			
Adjustment <sup>(3)</sup>			+150	+600		
<b>Planning total</b>	<b>+7</b>	<b>+86</b>	<b>-1141</b>	<b>-1328</b>	<b>+2,590</b>	<b>+5,500</b>

<sup>(1)</sup>The Government's Expenditure Plans 1987-88 to 1989-90, January 1987.

<sup>(2)</sup>After adjustment of Cm 56 figures to the definition of public expenditure used in this White Paper.

<sup>(3)</sup>See footnotes to Table 2.1 in Chapter 2.

88. [Text on differences shown in Table 1.19]

Table 1.20 Summary of differences from Cm 56<sup>(1,2)</sup> by spending authority

	1984-85 outturn	1985-86 outturn	1986-87 outturn	1987-88 estimated outturn	1988-89 plans	£ million 1989-90 plans
<b>Central government (excluding finance for public corporations)</b>						
Voted in Estimates	+8	-11	-801	+895	+2,412	+3,600
Other	-17	-32	+600	+478	+525	+800
<b>Total central government</b>	<b>-8</b>	<b>-43</b>	<b>-201</b>	<b>+1,373</b>	<b>+2,937</b>	<b>+4,400</b>
<b>Local authorities (excluding finance for public corporations)</b>						
Relevant	+2	-191	-242	+1,131	+1,036	+1,280
Other current	+17	+17	-55	+134	+478	+500
Capital		+307	-500	-515	-9	-180
<b>Total local authorities</b>	<b>+19</b>	<b>+133</b>	<b>-797</b>	<b>+750</b>	<b>+1,505</b>	<b>+1,600</b>
<b>Public corporations</b>						
Nationalised industries' external finance			-599	-238	+339	+20
Other public corporations	-4	+1	-23	-309	-191	-10
<b>Total public corporations</b>	<b>-4</b>	<b>+1</b>	<b>-622</b>	<b>-547</b>	<b>+149</b>	<b>+10</b>
<b>Reserve</b>						
Privatisation proceeds		-5	+328	-3,500	-2,000	-500
Adjustments <sup>(3)</sup>			+150	+600		
<b>Planning total</b>	<b>+7</b>	<b>+86</b>	<b>-1141</b>	<b>-1,328</b>	<b>+2,590</b>	<b>+5,500</b>

<sup>(1)</sup> The Government's Expenditure Plans 1987-88 to 1989-90, January 1987.

<sup>(2)</sup> After adjustment of Cm 56 figures to the definition of public expenditure used in this White Paper.

<sup>(3)</sup> See paragraph 11 (iii) in Chapter 2.

89. [Text on differences shown in Table 1.20]

90. Table 1.21 expands on the information given for 1988-89 in the earlier tables. It shows the changes to plans between Cm 288 and this White Paper, separately identifying the changes due to the transfer of the resource cost of specialised major works from the Property Services Agency to departments.

Table 1.21 Differences from Cm 56 by department for 1988-89

	Cm 56	Classification changes	Transfer of provision for maintenance expenditure from PSA	Other changes	Plan for the year
£ million					
<b>Departments</b>					
Defence	18,981	-3	+4	+226	19,208
Foreign and Commonwealth Office <sup>(1)</sup>	2,129		+1	+27	2,157
European Communities	440	+13		+347	800
Ministry of Agriculture, Fisheries and Food <sup>(1)</sup>	2,391		+3	-182	2,212
Trade and Industry <sup>(1)</sup>	1,069	+12	+2	+286	1,369
Energy	-48	+5		+163	120
Employment	4,221	-11	+2	+30	4,242
Transport	5,083		+2	+62	5,147
DOE-Housing	3,016	+18	+1	-15	3,020
DOE-Other environmental services	3,892	-18		-61	3,813
Home Office <sup>(1)</sup>	6,422	+212	+5	+386	7,025
Education and Science	17,355	-18		+634	17,971
Arts and Libraries	834	+18		+61	913
DHSS-Health and personal social services	19,866	+1		+816	20,683
DHSS-Social security	47,451	-1	+7	+1003	48,460
Scotland	8,111		+1	+394	8,506
Wales	3,297			+154	3,451
Northern Ireland	5,051	-12		+105	5,144
Chancellor's departments	2,323	-13	+9	+142	2,461
Other departments <sup>(1)</sup>	1,837	-210	-37	+17	1,607
Reserve	5,500			-2,000	3,500
Privatisation proceeds	-5,000				-5,000
<b>Planning total</b>	<b>154,220</b>	<b>-4</b>	<b>-</b>	<b>+2,590</b>	<b>156,806</b>

(1) See footnotes to Table 2.1 in Chapter 2.

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Provisional Arrangements of Chapters in 1989 PEWP

1. Defence
2. FCO (including ODA)
3. Net Payments to EC Institutions
4. MAFF (including IBAP and Forestry Commission)
5. DTI and ECGD
6. Energy
7. Employment
8. Transport
9. DOE Housing ) 2 separate chapters  
DOE Other environmental services) in one booklet
10. Home Office and legal departments
11. Education and Science
12. Arts and Libraries
13. DHSS - Health and Personal Social Services) 2 separate chapters  
DHSS - Social Security ) in once booklet
14. Scotland
15. Wales
16. Northern Ireland
17. Chancellor's Departments) 2 separate chapters  
Other Departments ) in one booklet

This arrangement is the same as for the Estimates, except that there are no Estimates for No 3, and the Estimates relating to the two chapters in No 17 are published separately. HMSO advised that each booklet will have its own Cm number.