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REPORT BY THE PUBLIC EXPENDITURE SURVEY COMMITTEE

Note by the Chief Secretary, Treasury

The attached interdepartmental Report by the official Public Expenditure Survey Committee is circulated for reference. It gives detailed information on each Department's expenditure.

W J B

Treasury Chambers

3 July 1980

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PUBLIC
EXPENDITURE
1983-84

Report by the Public Expenditure
Survey Committee

1980

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PUBLIC EXPENDITURE 1981-82 TO 1983-84
1980 REPORT BY THE PUBLIC EXPENDITURE
SURVEY COMMITTEE

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PUBLIC EXPENDITURE 1981-82 TO 1983-84**1980 REPORT BY THE PUBLIC EXPENDITURE
SURVEY COMMITTEE****Introduction**

This interdepartmental report by officials brings together the detailed factual and analytical material which provides the basis for the 1980 public expenditure survey. It is mainly intended for reference. A further report to Ministers deals with the financing requirements of the nationalised industries.

2. This report takes account of the outcome of the recent CAP price fixing settlements, but not of the agreed arrangements for reducing the UK net contribution to the EEC budget.

3. The report has been drawn up on a departmental basis, as agreed by Ministers. Each departmental chapter describes the survey baseline (the plans in the March 1980 White Paper revalued to 1980 survey prices—broadly autumn 1979 prices—and adjusted for subsequent Ministerial decisions) and its implications. It then presents the following material in terms of changes from the baseline:

- (a) The effect, where applicable, of the revised economic assumptions listed in Supplementary Analysis M;
- (b) The effect of the 1980-81 cash limits squeeze, distinguishing the 2½% reduction in civil service manpower and related expenditure (where the squeeze has generally been carried through into the later years) from the remaining squeeze (where it has not);
- (c) Other reduced requirements not included in the baseline;
- (d) Proposals for additional expenditure (including estimating increases other than those resulting from revised economic assumptions as at (a)) and any offsetting savings;
- (e) Options for reductions amounting to 2% of baseline expenditure in 1981-82 and 3% in later years, as requested by Ministers.

4. A number of Supplementary Analyses are also included. Analyses A to G aggregate the information described in the previous paragraph to show the position for public expenditure as a whole.

Analyses H to L provide detailed background information on expenditure in cost terms, public service manpower, local authority expenditure, and construction expenditure. Analyses M and N respectively contain the revised economic assumptions, which take into account the Budget of 26 March 1980, and information on outturn in relation to plan in the years 1978-79 and 1979-80.

1. Ministry of Defence

TABLE 1

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Defence Budget	9,449.0	9,291.6	9,085.7	9,036.1	9,243.1	9,616.7	9,945.4	10,243.8	10,546.1
Royal Ordnance Factories	-15.2	-6.2	-5.5	-11.6	-4.2	-3.7	-3.3	-3.1	-3.0
Grand Total	9,433.8	9,285.4	9,080.2	9,024.5	9,238.9	9,613.0	9,942.1	10,240.7	10,543.1
Changes from Cmnd. 7841 revalued	-	-	-	-	-49.6	-1.8	+1.5	+4.5	+3.0
Cmnd. 7841 revalued	9,433.8	9,285.4	9,080.2	9,024.5	9,288.5	9,614.8	9,940.6	10,236.2	10,540.1
Revised economic assumptions						-	-	-	-
Reduced requirements not in the baseline:									
Cash limits squeeze in 1980-81:									
Civil service manpower and related expenditure						-33	-	-	-
Other items						-142	-	-	-
Other reduced requirements						-	-	-	-
Total						-175	-	-	-
Additional bids (See paragraph 7 & 8 of text)							3.5	3.5	3.5
Offsetting savings							-	-	-
Options for reductions (See paragraph 10 of text)							(-200.0)	(-300.0)	(-300.0)

Introduction

1. The above figures include expenditure by the Property Services Agency on defence works services. The defence budget is central government expenditure, nearly all of it on goods and services. The Royal Ordnance Factory figures represent repayments to the National Loans Fund.

Implications of the baseline figures

2. UK defence spending must be seen in the context of membership of the NATO Alliance. A basic yardstick against which the UK's contribution to NATO is measured is the agreement reached by Heads of Government to aim for real annual increases in the region of 3% in defence spending. This agreement covers the current NATO planning period to 1986. The plans announced in Cmnd. 7841 conform to this NATO target and have been welcomed by our partners in the Alliance. The UK's achievement so far although less than the 3% target has been amongst the best in the Alliance and the proportion of GDP devoted to defence is the highest amongst major European members. Measured in terms of defence spending per capita however the UK comes much lower in the league

table. In maintaining adequate defence capabilities in the face of the increasing threat posed by the Soviet Union and its Warsaw Pact allies (as set out in the 1980 Defence White Paper Cmnd. 7826) the absolute amounts spent matter most.

3. Following the Soviet invasion of Afghanistan and events elsewhere in South West Asia there is increasing and high level pressure within NATO and notably from the US for measures already in the forward programme to be accelerated and for new steps to be taken to improve NATO's defences. It is clear that within the constraints of the figure established in Cmnd. 7841 it will only be possible for the UK to make a limited response to these initiatives.

4. The year-by-year figures for growth implied by the survey baseline are as follows:

1979-80	- 2.4%
1980-81	- 4%*
1981-82	- 3.4%
1982-83	- 3%
1983-84	- 3%

* (see paragraph 6)

The forecast of outturn in volume terms for 1979-80 has been reduced since Cmd. 7841 mainly because of measures taken to try and stay within cash limits and this explains the reduction from 2.9% to 2.4% growth. This lowered baseline accounts for the implied increase in 1980-81 from 3.5% in Cmd. 7841 to 4%, but since the new figure does not allow for any cash limit squeeze on the volume programme the increase in actual spending may be lower—see paragraph 6 below. The increase above 3% in 1981-82 is accounted for by technical factors in the revaluation process: the Cmd. 7841 counter-part of the 1981-82 figure showed only 3% growth over 1980-81 at 1979 Survey prices. Taken overall, the Survey baseline figures are fully consistent with the UK's commitment to the NATO growth aim. Indeed, straight 3% annual increases over the outturn for 1979-80 would produce savings against the Survey baseline of £417 million over the Survey period.

5. The Ministry of Defence is currently considering the outcome of the annual Long Term Costing of the defence programme. There is a sizeable gap between the cost of the programme and the Survey baseline. To close the gap it will be necessary to re-shape the programme, taking account of Ministers' wishes to have an enhanced ability to operate outside the NATO area and their consideration of options for the replacement of the strategic nuclear deterrent. Adjusting the programme will involve difficult choices which will need to be considered by Ministers collectively.

Reduced requirements not included in baseline:

Cash limit squeeze in 1980-81

6. The cash limit factors by comparison with the Budget forecast for inflation imply a volume reduction of £175 million in the defence programme for 1980-81. This is after allowance has been made for the agreement to adjust the cash limit in respect of the cost of the Government's decisions on the Report of the Armed Forces Pay Review Body—the Prime Minister's statement in the House of Commons on 29 April refers (Hansard Cols. 414-415). Account may have to be taken of the

extent to which the cash limit was overspent in 1979-80, provisionally estimated at £60 million. In addition the Cabinet has agreed that the defence cash limit will be kept under review during the year.

Additional bids — offsetting savings

7. No additional bids are being made at this stage. The position will fall to be confirmed after Ministers have decided on re-shaping the programme—see paragraph 5.

8. Additional bids for COI expenditure to maintain recruitment publicity campaigns at present levels are shown in accordance with the arrangement whereby such bids are where appropriate, entered in the chapters of the relevant major departments. The Treasury considers that the sums in question should be found within the totals for the defence programme.

9. The Ministry of Defence is pursuing a vigorous campaign for administrative and other economies. Any savings will be subsumed in the process of adjusting the defence programme.

Options for reductions

10. It is not possible for the MOD to set out at this stage with precision what would be involved in reductions of 2% and 3% (some £200 million and £300 million pa) as required by the Survey guidelines. Such options could be specific only when Ministers have reached decisions on the shape of the defence programme as explained above. In any case, such reductions would mean HMG renegeing on its commitment to the NATO aim of annual real growth in the region of 3%. The Government's credibility in the Alliance would be undermined. The Treasury point out that the defence programme has no special reserved status and that it will, like all other programmes, stand to be considered in the light of current economic circumstances in the forthcoming Ministerial discussions on public expenditure. The factors described in paragraph 2-4 will be among those that will have to be taken into account.

2. FCO Overseas Development Administration

TABLE 2

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Overseas aid	707.0	680.3	719.8	804.8	778.7	803.1	755.0	698.3	698.0
Overseas aid administration	13.8	12.9	13.6	13.2	13.6	15.5	14.8	14.4	14.4
Other external relations	28.6	27.7	44.0	42.8	42.6	46.1	46.1	46.1	46.1
Total	749.4	720.9	777.4	860.8	834.9	864.7	815.9	758.8	758.5
Special assistance to the Crown Agents	—	—	115.8	—	—	—	—	—	—
Grand Total	749.4	720.9	893.2	860.8	834.9	864.7	815.9	758.8	758.5
Changes from Cmnd. 7841 revalued	—	—	-0.1	-0.1	-17.0	-0.9	+5.8	—	—
Cmnd. 7841 revalued	749.4	720.9	893.3	860.9	851.9	865.6	810.1	758.8	758.5
Revised economic assumptions	—	—	—	—	—	—	—	—	—
Reduced requirements not included in the baseline:									
Cash limits squeeze in 1980-81:									
Civil service manpower and related expenditure									
Overseas aid administration						-0.3	-0.3	-0.3	-0.3
Other items									
Overseas aid						-8.1	—	—	—
Other reduced requirements						—	—	—	—
Total						-8.4	-0.3	-0.3	-0.3
Additional bids									
Overseas aid							5.0	6.0	6.0
Offsetting savings							—	—	—
Total							5.0	6.0	6.0
Options for reductions							-16.4	-22.8	-22.8

Introduction

1. Overseas aid is the main programme for which the Overseas Development Administration (ODA) is responsible. This provides for financial aid and technical co-operation to developing countries and contributions to certain multilateral institutions, including the UK's share of concessional assistance to developing countries provided through the European Community Budget.

2. The other programmes are overseas aid administration and the pensions and superannuation element of "Other External Relations", which covers the pension liabilities arising from service in former colonial territories.

3. Statutory authority for overseas aid is mainly provided by the Overseas Aid Act 1966. Expenditure on pensions and superannuation is covered chiefly by the Pensions (Increase) Act 1971.

Implications of the baseline figures

4. The public expenditure figures show the net aid programme. In addition, ODA can add to this amortisation receipts on past loans which are recycled as new aid grants or loans but do not count, under present definitions, as public expenditure. The net aid programme plus amortisation gives the gross aid programme (which is ODA's "spending target") as follows:—

	£ million			
	1980-81	1981-82	1982-83	1983-84
Net aid programme	803.1	755.0	698.3	698.0
Amortisation	69.2	54.1	55.9	54.5
Gross aid programme	872.3	809.1	754.2	752.5

Net overseas aid by 1982-83 will be 14 per cent below the allocation made for 1979-80 in Cmnd.

7841 and 10.4 per cent lower than the estimated outturn in that year. The existing survey figures thus represent a considerably deeper cut than the average for public expenditure as a whole.

5. These reductions make it difficult to meet existing commitments while preserving flexibility in the aid programme and attempting to implement effectively the conclusions of the aid policy review. ODA estimate that bilateral country programmes will have to decline by 45 per cent by 1983-84 because of the reduction in the overall level of aid coupled with rising and inescapable multilateral commitments, especially to the European Community and World Bank.

6. The Government has accepted their predecessors' commitment in principle (first accepted in 1974) to move towards the UN 0.7 per cent of GNP official development assistance target. But it was made clear that progress must continue to be conditioned by our financial and economic circumstances and there is no timetable for achieving this target. Nevertheless, the planned reductions in overseas aid will lead to a decline in our performance against the aid target. (In 1978 this amounted to 0.48 per cent of GNP; the preliminary estimate for 1979 is 0.52 per cent). This coincides with considerable public and Parliamentary interest in the proposals of the Brandt Commission Report (which recommends, inter alia, increases in official aid by target dates) as well as the launching by the UN General Assembly later this year of a new international development strategy for the 1980s. International pressure, both from developing countries and our Western partners, to reverse this downward trend, therefore, may well increase.

Additional bids

7. Full cost fees for overseas students mean an additional charge of some £3 million which is being absorbed within the 1980-81 technical co-operation training programme in Britain for officially sponsored people from developing countries. As these fees take fuller effect the cumulative additional costs are estimated at £5 million in 1981-82 and £6 million in both 1982-83 and 1983-84. The ODA consider that additional provision should be made to offset the effect of these costs on the numbers coming to the UK for training from developing countries under the overseas aid programme. In the Treasury's view the money should be found from within that programme.

Options for Reductions

8. The further cuts in overseas aid shown in the table (2% in 1981-82 and 3% in the later years) would exacerbate the difficulties referred to in paragraphs 4-6 above. The distribution of cuts would necessarily be determined by the pattern of commitments and would thus bear almost entirely on bilateral programmes (which are expected to be less than half the aid programme by 1983-84). It would be even more difficult, therefore, to implement the central conclusion of the aid policy review, that greater weight should be given to political, commercial and industrial considerations alongside developmental objectives.

9. Savings cannot be found against the pensions and superannuation programme, which arises from legislative commitments. Reductions in Departmental expenditure of the order required, therefore, would be at the expense of further cuts in the level of overseas aid.

3. Foreign and Commonwealth Office — Other

TABLE 3

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Overseas representation	245.1	235.0	213.1	211.0	207.2	212.2	217.9	216.0	214.8
Overseas information	80.8	80.2	77.1	77.0	74.5	80.8	78.7	77.4	76.6
Other overseas services	35.9	36.2	33.1	39.5	67.2	45.2	41.5	42.3	42.9
Military aid	2.3	2.2	2.8	7.5	9.3	6.8	2.7	2.8	2.8
Grand Total	364.1	353.6	326.1	335.0	358.2	345.0	340.8	338.5	337.1
Changes from Cmnd. 7841 revalued	+0.4	+0.2	—	-0.8	-14.8	-0.6	-2.0	-2.2	-1.2
Cmnd 7841 revalued	363.7	353.4	327.1	335.8	373.0	345.6	342.8	340.7	338.3
Revised economic assumptions						—	—	—	—
Reduced requirements not included in the baseline:									
Cash Limits squeeze in 1980-81:									
Civil Service Manpower and related expenditure						-1.7	-1.7	-1.7	-1.7
Other items						—	—	—	—
Other reduced requirements						—	—	—	—
Total						-1.7	-1.7	-1.7	-1.7
Additional bids									
(i) UN Transition Assistance Group — Namibia							13.5	—	—
(ii) Military aid							4.5	4.3	4.3
Offsetting savings							—	—	—
Total							18.0	4.3	4.3
Options for reductions									
(i) Overseas representation							-4.4	-6.5	-6.4
(ii) Overseas information							-1.6	-2.3	-2.3
(iii) Other external relations							-0.8	-1.3	-1.3
Total							-6.8	-10.1	-10.0

Introduction

Overseas representation, which accounts for 61 per cent of all FCO (non-Aid) expenditure, covers the cost of running the Foreign and Commonwealth Office and the Diplomatic Service at home and abroad. It includes some expenditure on overseas accommodation, the major share of which is met by the Property Services Agency of the Department of the Environment. About half of the expenditure on overseas representation is on UK based salaries and allowances.

Grants to the BBC (14 per cent); the British Council (8 per cent); and subscriptions to international organisations (11 per cent) make up most of the remainder of FCO (non-Aid) expenditure.

Implications of the baseline figures

Overseas representation

The provision for 1980-81 onwards reflects a reducing manpower level up to 1983-84 when the last of the cuts made under the Lord President's review takes effect. (The effect of the latest 2½ per cent cash limit squeeze is shown separately).

Overseas information

The baseline takes account of reductions in the grant to the British Council, compared with the Labour Government's plans, of £3.4 million in 1980-81 rising to one of £5.9 million in 1983-84, with resulting staff reductions and a lower level of activity. As the BBC External Services provision is made for continuation of the project, begun in 1979-80, to improve the audibility of external

broadcasts, although this is being phased over a longer period than originally planned due to a cut of £3.1 million in 1980-81, compared with the Labour Governments plans. This cut has been applied in future years but a decision has yet to be taken on how it will be implemented.

Other external relations

It is the policy of FCO Ministers to try to keep expenditure on international organisations at a constant level in real terms, but the UK cannot take unilateral decisions on the size of budgets and some allowance has to be made for growth. No significant changes are foreseen in the level of grants in aid and other miscellaneous payments.

Military aid

Following the completion in 1980-81 of major programmes of military aid to Zambia and Belize, the provision is for the continuation, at the pre-1979-80 level, of military training assistance.

Additional bids

Other external relations —

UNTAG: This bid is for the UK contribution to the UN Transition Assistance Group, Namibia, which will be set up to supervise the transition to independence. It is necessarily no more than an estimate, and no decision has been taken about if and when UNTAG will be deployed.

Military aid: This bid, pending the outcome of an interdepartmental review by officials, is to bring the military assistance programme up to the level for 1979-80 allowing for a

second, smaller programme of defence aid for Belize from 1981-82 to 1983-84 (£1.3 million).

Options for reductions

Overseas representation: Cuts in manpower and man-power-related expenditure involving the reduction or closure of more posts overseas and the possible cessation or curtailment of services, eg export promotion work.

Overseas information: A cut of £0.1 million in 1982-83 and 1983-84 in overseas publicity services.

In the Treasury's view a cut of up to £4.6 million in the FCO's grant to the British Council might be achieved by adopting the Treasury's proposal to halve the level of the Council's activity in western Europe and the English-speaking world.

A cut in the FCO's grants to the BBC with possible reductions in vernacular services. As an example the closing down of French and German language broadcasts would result in savings of about £0.7 million and £0.6 million.

Other external relations: Contingent upon the successful outcome of negotiations initiated by the FCO, a reduction in our contribution to the UN Force in Cyprus.

4. European Community Budget

TABLE 4

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Contributions to the European Communities (net) and to the European Investment Bank	15.8	281.4	631.9	774.5	1,008.5	1,024.5	1,138.8	1,321.6	1,532.2
Changes from Cmnd. 7841 revalued	—	—	—	—	+89.9	—	—	—	—
Cmnd. 7841 revalued	15.8	281.4	631.9	774.5	918.6	1,024.5	1,138.8	1,321.6	1,532.2
Revised economic assumptions						—	—	—	—
Reduced requirements not included in the baseline:									
Cash Limits squeeze in 1980-81:									
Civil Service Manpower and related expenditure						—	—	—	—
Other items						—	—	—	—
Other reduced requirements						-63.8	-54.7	-31.2	—
Total						-63.8	-54.7	-31.2	—
Additional bids							—	—	17
Offsetting savings							—	—	—
Total							—	—	17
Options for reductions							-22.8	-39.7	-46.0

Contribution to the European Communities (net) and to the European Investment Bank.

1. Programme 2.7 comprises United Kingdom gross contributions to the European Community Budget (excluding amounts attributed to aid), capital contributions to the European Investment Bank and public sector receipts by the United Kingdom from the Community Budget and the European Coal and Steel Community.

2. The Community Budget is denominated in European units of account (EUA); conversions into sterling have been made at forecast rates of exchange.

3. The baseline figures show the estimated cost of existing Community policies and allow for the incidence of anticipated new policies in future years where the effect of these can be quantified. In particular, the figures include an estimate of the net cost of Greek membership of the Community from 1981 onwards. The baseline figures took no account of any reductions in the UK net contribution as a result of the continuing negotiations with other

Member States; neither did they take account of the effects of the 1% limit on Community VAT revenue. Expenditure on the Guarantee Section of the Common Agricultural Policy, which represents over 70% of Community Budget expenditure, was assumed to grow at the same rate as in previous years.

4. The revised estimates have been based on similar assumptions to the baseline figures and show reductions for each forecast year except 1983-84. These reductions result mainly from higher forecasts of receipts from the Guarantee Section and Regional Fund. Receipts from Guidance individual projects have been included in the figures for the first time and an offsetting increase in expenditure has been included in programme 3.1. There has been an increase in receipts from the ECSC in anticipation of British Steel Corporation closures.

5. The revised figures do not also include estimates of the effect of the arrangements for reducing the UK net contribution which have now been agreed.

6. The arrangements are that, for 1980 there will be a ceiling on the UK net contribution of £370 million, provided it does not exceed £1,080 million before adjustment. For 1981, there will be a ceiling of £440 million, provided the net contribution, before adjustment, does not exceed £1,300 million. A further element is a risk sharing formula which will operate if the unadjusted UK net contribution for these two years exceeds the estimates above. For 1980, the UK will bear only one quarter of any excess. For 1981, the UK would meet the first £12 million of any excess in full, it would meet half the next £60 million excess and one quarter of any further excess. (All the sterling figures quoted above are converted from EUA at the rate of £1=1.65 EUA, which differs slightly from the exchange rate assumptions used in the estimates).

7. For 1982, it is envisaged that by that time the Council will have completed a review of the pattern of Community expenditure and the operation of the Budget. However, if that does not produce arrangements solving the UK budget problem the Commission will put forward proposals along the lines of the 1980 and 1981 arrangements and the Council will act accordingly. The arrangement contains no specific provision beyond 1982.

8. The amounts resulting from these arrangements will be paid to the UK by means of adjustments, to the Financial Mechanism and a Regulation providing for supplementary expenditure in the UK. The credits will be inscribed in the Budget of the following financial year but the arrangements provide for advance payments. It is expected that payments for 1980 will be received before the end of 1980-81. The detailed application of these arrangements has yet to be settled.

9. The effect of the changes to the baseline described in paragraph 4 are shown in the table below.

	£ million			
	1980-81	1981-82	1982-83	1983-84
Baseline (Cmnd. 7841)	1,024.4	1,138.8	1,321.6	1,532.2
Changes arising from revised forecasts	-63.8	-54.7	-31.2	+17.0
Total change from baseline	-63.8	-54.7	-31.2	+17.0

10. Unlike most other programmes, expenditure on this programme cannot be directly controlled. It depends partly on unpredictable variables like the effect of the weather on agricultural production in the Community, and partly on decisions by the EEC Council of Ministers and the European Parliament in many policy areas.

11. The Community Budget is financed from agricultural levies and customs duties collected by Member States and the product of a rate, not exceeding 1%, applied to a notional harmonised Community VAT base. What will happen when this ceiling on the Community's revenue is reached is uncertain and no decisions have yet been taken by the Community. For the above estimates no allowance has been made for the effect of the ceiling, which could be exceeded in 1981 or 1982, nor of the review of the pattern of Community expenditure and the operation of the Budget.

12. The United Kingdom's gross share of the Budget is estimated to decrease from about 20% in 1980 to about 17.5% in 1984. In 1980 the United Kingdom ceased to benefit from the transitional arrangements which have applied to gross budgetary contributions since Accession.

13. The table below shows the latest estimates of contributions to, and receipts from, the Community Budget, broken down by the main areas of expenditure and receipts.

Options for reductions

14. The reduction to the UK's net contribution to the Community Budget which has been negotiated will yield savings well in excess of the 2% and 3% reductions.

UNITED KINGDOM CONTRIBUTIONS AND RECEIPTS 1980-81 TO 1983-84

£ million at 1980 survey prices

	1980-81	1981-82	1982-83	1983-84
Contributions				
Administration, Miscellaneous, etc.	114.7	118.8	123.2	128.9
Research and investment	33.4	34.9	28.2	25.4
Social Fund	73.2	81.6	89.1	98.8
Regional Development Fund	95.6	112.2	127.2	146.0
EAGGF - Guarantee	1,427.9	1,563.2	1,738.8	1,978.8
Guidance	40.1	51.4	58.3	56.0
Payment of Own Resources collection costs	97.6	92.4	91.4	92.5
EMS interest rate subsidies	27.8	24.9	22.7	21.0
Greek Accession	9.3	40.0	50.8	63.2
Financial Mechanism and Article 235	7.0	23.4	29.0	29.3
Less Communities Miscellaneous Receipts	-20.1	-19.7	-19.1	-18.8
Total (Survey Basis)	1,906.5	2,128.1	2,339.6	2,621.1
Aid (Attributed)	44.8	54.8	56.8	59.4
Gross United Kingdom Contributions	1,951.3	2,182.9	2,396.4	2,680.5
Receipts				
Social Fund	80.9	91.9	98.2	98.7
Regional Development Fund	141.0	171.9	194.4	222.7
EAGGF - Guarantee	439.9	453.8	447.6	439.0
Guidance	41.3	36.9	30.5	27.3
Refund of Own Resources collection costs	103.6	94.4	92.4	93.3
EMS interest rate subsidies	26.2	24.4	22.7	21.7
Financial mechanism and Article 235	111.2	155.8	161.6	172.1
Total United Kingdom Receipts	944.1	1,029.1	1,047.4	1,074.8
Net				
United Kingdom contribution to the Community Budget	1,007.2	1,153.8	1,349.0	1,605.7
Survey Basis				
Contributions	1,906.5	2,128.1	2,339.6	2,621.1
Receipts	-944.1	-1,029.1	-1,047.4	-1,074.8
EIB	10.7	9.5	8.7	7.9
ECSC receipts	-12.4	-24.4	-10.5	-5.0
Net				
United Kingdom contribution (survey basis)	960.7	1,084.1	1,290.4	1,549.2

5. Intervention Board for Agricultural Produce

TABLE 5

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Market support under the Common Agricultural Policy (CAP) of the EEC	553.8	253.9	316.2	378.7	326.8	365.5	394.9	395.0	395.0
Central and miscellaneous services	6.7	7.6	6.6	7.6	7.7	8.9	6.6	6.6	6.6
Grand Total	560.5	261.5	322.8	386.3	334.5	374.4	401.5	401.6	401.6
Changes from Cmd. 7841 revalued	—	—	—	—	-15.4	+1.3	—	—	—
Cmd. 7841 revalued	560.5	261.5	322.8	386.3	349.9	373.1	401.5	401.6	401.6
Revised economic assumptions						—	—	—	—
Reduced requirements not included in the baseline:									
Cash Limits squeeze in 1980-81:									
Civil Service manpower and related expenditure						-0.2	-0.1	-0.1	-0.1
Other items						—	—	—	—
Other reduced requirements						—	—	—	—
Total						-0.2	-0.1	-0.1	-0.1
Additional bids									
(i) Market regulation under CAP							97.0	90.1	89.8
(ii) Central and miscellaneous services							4.3	4.3	4.3
Offsetting savings							—	—	—
Total							101.3	94.4	94.1
Options for reductions									
Reduce UK consumer Butter subsidy							-8.0	-12.0	-12.0
Total							-8.0	-12.0	-12.0

Introduction

1. Expenditure by IBAP is incurred in market regulation under the Common Agricultural Policy (CAP). The main components are intervention buying and selling, various production, storage and animal feed subsidies and payments on imports and exports. Almost all of it is mandatory under EC Regulations and most is 100 per cent funded from the EC Budget. Programme 3 covers IBAP's gross expenditure, the associated receipts from the EC being credited to Programme 2 where they serve to reduce the United Kingdom's net contribution to the EC. Expenditure is particularly unpredictable as it depends, inter alia, on trade volumes, world commodity prices, exchange rates and day to day operations of the CAP instruments of market management.

2. The Board's Central and miscellaneous services expenditure is mainly in respect of the Board's staff

costs and those of agencies undertaking work on its behalf.

Implications of the baseline figures

3. The baseline provides for expenditure on the Board's various operations based on a view of market trends and world prices taken in September 1979. This provision is not sufficient to cover the Board's latest forecasts and additional bids for 1981-82 and later years are included below. The baseline for 1981-82 onwards provides for the continuation of the UK butter subsidy, although this is subject to annual re-negotiation.

Reduced requirements not included in baseline

4. This is the 2½ per cent squeeze on the Board's wages and salary costs and the Board's Agents' wages and salary costs.

Additional bids and offsetting savings

5. The additional bid for market regulation is made up as follows:

	£ million		
	1981-82	1982-83	1983-84
Net estimating change	33.0	6.1	5.8
CAP price fixing	64.0	84.0	84.0
	97.0	90.1	89.8

The net estimating change is the difference between the baseline and the Board's latest revised forecast of expenditure. The estimating change for 1981-82 includes an increase of £17.5 million in expenditure on intervention, compared with a reduction of £5 million in intervention expenditure in later years. This largely accounts for the difference in the size of the bids between the years.

6. Also included is an estimate of the effects of the CAP price fixing on this programme. The estimate takes account of the average 5 per cent increase in prices; an EC sheepmeat regime estimated to cost £45 million in 1981-82 and £65 million in future years; a suckler cow subsidy estimated to cost £17 million a year; and refunds on exports of whisky costing £20 million annually. These increases are offset to some extent by an increase in the level of the co-responsibility levy on milk producers, which scores as an offset to expenditure.

7. The EC price fixing package also included an option for the continuation of the variable beef premium scheme. Whether this option should be exercised is the subject of a separate Ministerial discussion, and the estimated annual cost of some £7½ to £8½ million — to cover premium payments and administration has not yet been included at this stage.

8. An additional bid in each year of £4.3 million is included under central and miscellaneous services. This comprises £0.3 million to maintain staffing levels adequate to meet existing commitments, and a tentative figure of £4 million to cover the staffing implications of the CAP price-fixing. The latter elements would largely take the form of agency payments. No allowance has been included for any possible change in the administration of the school milk subsidy scheme.

Options for reductions

9. Most of the Board's expenditure is determined by EC Regulations and is not subject to direct UK control. The only exception is the consumer butter subsidy which is covered by EC Regulations but which prescribes only the maximum level of subsidy which may be paid. To secure the 2% and 3% options on this programme the subsidy would have to be reduced by some 2p per pound in 1981-82 and some 3p per pound in 1982-83 and 1983-84. No legislation would be required for this change. This subsidy is, 100 per cent financed by the EC.

6. Ministry of Agriculture Fisheries and Food

TABLE 6

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Agricultural support	253.5	173.6	164.9	164.5	185.9	145.0	142.3	128.0	115.1
Central and miscellaneous agricultural assistance including food subsidies	869.5	539.0	406.7	188.5	191.5	178.2	197.0	194.4	195.7
Support for the fishing industry	29.5	14.7	10.2	9.3	13.2	21.0	25.7	25.4	20.1
Land drainage, flood protection and other local services	73.3	72.7	95.1	81.8	86.5	85.1	83.9	86.8	86.8
Thames tidal defences	48.5	64.1	60.9	90.6	115.2	153.5	88.1	52.8	20.2
Civil defence	16.1	10.0	4.1	3.9	20.7	6.1	8.5	8.4	8.6
Grand Total	1,290.4	874.1	741.9	538.6	613.0	588.9	545.5	495.8	446.5
Changes from Cmnd. 7841 revalued	-12.3	-12.7	-16.8	-15.3	-32.7	-12.6	-13.2	-13.2	-13.2
Cmnd. 7841 revalued	1,302.7	886.8	758.7	553.9	645.7	601.5	558.7	509.0	459.7
Revised economic assumptions						-0.9	-0.4	-0.3	-0.3
Reduced requirements not included in the baseline:									
Cash Limits squeeze in 1980-81:									
Civil Service Manpower and related expenditure						-2.8	-2.8	-2.8	-2.8
Other items						-	-	-	-
Other reduced requirements									
(i) Agriculture grants and subsidies (including animal health)						-1.4	-12.9	-11.1	-11.8
(ii) Other Agricultural, fisheries and food services						-	-	-0.5	-0.6
(iii) Land Drainage and flood protection						-11.5	-	-	-
(iv) Civil Defence						-	-0.6	-0.6	-0.6
Total						-15.7	-16.3	-15.0	-15.8
Additional bids									
(i) Hill Livestock allowances							5.1	4.8	4.5
(ii) Marketing aids							0.5	0.9	1.0
(iii) Operating and/or restructuring aids for fishing industry							5.0	5.0	5.0
(iv) Interim EC structural aid for fishing industry							0.7	0.6	-
(v) Fishery protection vessels							2.6	-2.7	3.7
(vi) Non-Marketing of Milk extension							2.3	2.7	2.1
(vii) New beef cow subsidy administration							1.0	1.0	1.0
(viii) Estimating changes							3.7	3.0	3.0
(ix) Thames flood protection scheme							7.9	21.2	3.8
(x) Other arterial drainage							2.0	2.0	2.0
Offsetting savings									
(i) Capital grants							-2.6	-5.3	-5.3
(ii) Land sales							-2.8	-4.0	-4.2
Total (net)							25.4	29.2	16.6
Options for reductions									
(i) Capital grants							-2.6	-5.3	-5.3
(ii) Research and development							-1.3	-1.6	-0.9
(iii) Sales of Land							-2.8	-4.0	-4.2
(iv) Other options							-1.6	-1.4	-1.4
(v) Other arterial drainage							-3.6	-4.4	-3.5
Total							-11.9	-16.7	-15.3

PROGRAMME 3

Introduction

1. The preceding tables show expenditure by MAFF alone. But MAFF expenditure in programme 3 has to be considered together with

corresponding expenditure on agriculture, fisheries and food by DAFS and WOAD which will be included in the new Scottish and Welsh programmes.

The combined figures are set out in the table below.

AGRICULTURE, FISHERIES AND FOOD
(MAFF/DAFS/WOAD)

	1980-81	1981-82	1982-83	1983-84
Baseline	510	533	505	485
Year on year % change		+4%	-5%	-4%
Economic assumptions and reduced requirements		29	27	30
Additional bids		37	28	30
- offsetting savings		7	11	11
Net additional bids		30	17	19
Options for reduction		10	15	14
2. Major components of baseline: -				
Agricultural grants and subsidies	245	242	221	204
Fisheries including research and protection	33	40	36	31
Other expenditure (mainly departmental administration, agricultural research and development, animal health control)	232	251	248	250

Expenditure is by central government other than a very small part by local authorities and other public corporations. Receipts from the EC budget are taken into account in programme 2 (overseas aid and other overseas services).

Implications of the baseline figures

3. The falling expenditure planned for agricultural grants and subsidies reflects the changes in capital grant rates announced on 31 January 1980 and the limits on the amount of investment eligible for grant. The higher level of planned fisheries expenditure in the two middle years allows for the replacement of fishery protection vessels and 2 research vessels. The relatively low figure for "other expenditure" in 1980-81 includes additional receipts from land sales by MAFF and local authorities and a lower level of expenditure on research than in later years.

Reduced requirements not included in the baseline

4. The main reductions are in expenditure on agricultural grants and subsidies where there is reduced uptake under the (EC) Farm and Horticulture Development Scheme and lower expenditure on brucellosis eradication. Any consequential staff savings would contribute to staff reductions which the agricultural Departments are required to make.

Additional Bids and Offsetting Savings

5. The UK figures for additional bids on agriculture, fisheries and food are made up as follows:

	£ million at 1980 survey prices		
	1981-82	1982-83	1983-84
(a) Hill livestock allowances	16.6	15.5	14.5
(b) Marketing aids	0.5	0.9	1.0
(c) Operating and/or Restructuring aids for fishing industry	5.0	5.0	5.0
(d) Interim EC structural aid for fishing industry	1.7	1.3	0.1
(e) Fisheries protection: replacement of vessels and rephasing	2.6	-2.7	3.7
(f) Fisheries protection: earlier replacement of DAFS vessel	2.4	-1.3	-1.6
(g) DAFS freshwater fisheries area boards	-	0.1	0.3
(h) CAP price settlement			
(i) Non-mktg of milk: extension to September	3.2	3.5	2.8
(ii) New beef cow subsidy administration	1.0	1.0	1.0
(j) Estimating changes	3.8	4.8	3.1
	36.8	28.1	29.9

6. Brief notes on these bids are set out below.

- Hill Livestock Allowances: assumes continuation of rates agreed for 1980 subject to review in Autumn 1980.
- Marketing aids to encourage better marketing of British farm produce; a general 10 per cent supplement on co-operative marketing grants to be introduced in 1980-81 and extra provision for assisting selective co-operative marketing projects.
- Operating and/or restructuring aids for fishing industry: provisional estimates of expenditure needed on interim operating aids or on restructuring the UK industry following agreement on Common Fisheries Policy.
- Interim EC structural aid for fishing industry: consequentials of scheme provisionally agreed.
- Fisheries protection: replacement of fishery protection vessels including rephasing of existing provision.
- Fisheries protection: earlier replacement of DAFS vessel to secure lower price.
- DAFS freshwater fisheries area boards: costs of establishing new area boards for salmon and freshwater fisheries.

(h) CAP price settlement:

- (i) The milk non-marketing premia will remain open to new applicants until 15/9/80 and the conversion premia until 31/3/81.
- (ii) Provision for the payment of the new beef cow subsidy is the subject of an additional bid in the IBAP chapter. The tentative bid of £1m is for administrative costs.

(j) Estimating changes:

- (i) reduction in repayment of loans for fishing vessels
- (ii) increase in applications under Non Marketing of Milk and Conversion Premium Schemes
- (iii) increase in applications under EC scheme for assistance towards marketing and processing projects
- (iv) fisheries research vessel — slippage.

Apart from (h) (ii), none of the bids have significant manpower implications. Primary legislation would be required for bid (g) and possibly (c) and subordinate legislation for (b). Most of the additional bids represent new policy proposals.

7. The suggested offsetting savings comprise the sale of further agricultural land and the ban on national dairy investment aids which forms part of the CAP price fixing. Further notes on these savings are set out in the following paragraphs on options for reductions. The additional bids are only partly covered by the offsetting savings.

Options for reductions

8. The UK options for reductions in expenditure on agriculture, fisheries and food are made up as follows:

£ million at 1980 Survey prices

1981-82 1982-83 1983-84

(a) Capital grants: reduce aid for investment in dairy farming	-4.0	-7.0	-7.0
(b) R & D/ADAS	-1.7	-2.0	-1.3
(c) Sales of land	-2.8	-4.0	-4.2
(d) Minor options	-1.8	-1.6	-1.5
	-10.3	-14.6	-14.0
The required percentage options are	-10.3	-14.6	-14.0

9. Brief notes on these options are set out below.

- (a) Capital grants: the figures are based on the assumption that the CAP price settlement includes a ban of national aids for investment in all buildings and associated equipment designed for dairying. It is also assumed that the ban applies to new applications received from 1 April 1981. Both the scope of the ban and its timing are however uncertain and the figures are extremely tentative. Secondary legislation required.
- (b) R & D/ADAS: reduce number of MAFF fishery research vessels from 8 to 6 and reduce planned R & D expenditure on agriculture and food. No legislative implications. Civil service manpower reductions in ship complements.
- (c) Sales of Land: further sales of agricultural land by MAFF. Some of the land is ripe for development and the figures assume inter alia that planning permission will be obtained in certain cases.
- (d) Other options: economies in administration and additional fees for certain services. No additional legislative requirements. No significant manpower implications.

PROGRAMMES 8 AND 9 (MAFF ONLY)

10. About 40 per cent of the expenditure in programme 8 is by Water Authorities and the remainder by local authorities, including expenditure by GLC on the construction of the Thames Barrier. All expenditure in programme 9 is by central government for maintenance of the emergency and strategic food stockpile.

Implications of the baseline figures

11. Expenditure in programme 8 declines over the period as work on the Thames Barrier near completion. Expenditure on the food stockpile in programme 9 reflects decisions taken by Ministers in last year's survey.

12. Reduced requirements not included in the baseline

Additional receipts are expected to accrue from management of the food stockpile.

13. Additional bids and offsetting savings

- (a) Thames Flood Protection Scheme: revised estimate of cost following recent slippage.

- (b) Other arterial drainage: urgent work on sea defences (eg at Sheerness, Morecambe and Blackpool) and other flood protection works (principally the Mole and Brent River Schemes). (The examples show the reasons for the bids but the local authorities and Water Authorities determine their priorities for projects — subject to the projects being approved by central Government — and it is not therefore certain which projects would be deferred if the additional bid is rejected.)

There are no legislative or manpower implications for any of these additional bids. No savings can be suggested within MAFF programmes to offset them.

14. Options for Reduction

£ million at 1980 Survey prices

	1981-82	1982-83	1983-84
(a) Arterial drainage — current expenditure	-0.8	-1.2	-1.2
(b) Other options	-2.8	-3.2	-2.3
Total	-3.6	-4.4	-3.5

- (a) Arterial drainage: a reduction of 2 and 3 per cent in 1981-82 and later years, in current expenditure on maintenance of arterial drainage, could form part of a general reduction in local authority expenditure.
- (b) Other options: There is no feasible option for reduction in programme 9 and no feasible options can be found for reducing expenditure on the Thames Flood Protection Scheme in programme 8. The option required would therefore have to come from reductions in capital expenditure on other arterial drainage: in the MAFF view these would involve deferment of works of sea defence and flood protection which are urgently needed to protect lives and property.

7. Forestry Commission

TABLE 7

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Forestry	64.6	60.2	59.9	59.4	68.0	65.1	68.6	69.4	69.4
Changes from Cmnd 7841 revalued	—	—	—	—	-4.8	-1.1	-0.3	—	—
Cmnd 7841 revalued	64.6	60.2	59.9	59.4	72.8	66.2	68.9	69.4	69.4
Revised economic assumptions						—	—	—	—
Reduced requirements not included in the baseline:									
Cash Limits squeeze 1980-81:									
Civil service manpower and related expenditure						-0.4	-0.4	-0.4	-0.4
Other items						-1.2	—	—	—
Other reduced requirements						—	—	—	—
Total						-1.6	-0.4	-0.4	-0.4
Additional bids							—	—	—
Offsetting savings							—	—	—
Options for reductions									
Disposal of land							-0.7	-1.1	-1.1
Total							-0.7	-1.1	-1.1

Introduction

This item covers the Forestry Commission's activities in promoting the interests of forestry, the establishment and maintenance of adequate reserves of growing trees, the production and supply of timber and the development of the recreational potential of the forests they manage. The activities divide between the Forestry Enterprise (a Government trading service) and the Forestry Authority.

Implications of the baseline figures

For the survey period the baseline figures provide for an annual programme of new planting declining from 12,800 hectares to 10,800 hectares, no new development of recreation facilities, the acquisition of some 20,000 hectares of land for planting during the survey period, the purchase of machinery and construction of roads for an annual harvesting programme increasing from 2.5 million cubic metres to 2.7 million cubic metres, and from 1981-82 an annual provision of £3.6 million for grants for planting by private owners.

Reduced requirements not included in the baseline

The reduced requirements include expected cash limit squeezes in 1980-81 of £0.4m expendi-

ture on the wages of industrial employees, thus reducing staff numbers, and £1.2 million on the purchase of goods and services.

Additional bids

There are no proposals for additional bids.

Options for reductions

The survey figures exclude trading activities such as the harvesting and marketing of timber, the management of cabin and camp sites, agency work for other parties and the management of surplus properties awaiting disposal; therefore the Grant-in-Aid, which covers all the Commission's activities as shown in line 6 of the table, has been used as the base for calculating the options for reductions.

The options for reductions involve increases in the sale of surplus assets over and above the provision in the existing PES programme.

Although the options for reductions have been offered in accordance with the survey ground rules, forestry policy is at present under review, the results of which may lead to substantial changes in the survey figures and supersede the options for reductions.

8. Department of Industry

TABLE 8

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Regional and general industrial support									
Regional development grants	530.4	564.9	476.9	469.2	318.5	390.0	358.9	344.9	314.3
Provision of land and buildings	23.7	24.6	24.6	30.1	24.1	31.0	29.1	18.4	18.4
Selective assistance to industry in assisted areas	76.4	32.9	28.3	78.4	51.4	27.2	41.5	29.2	30.5
Other regional support	0.2	0.2	0.4	0.5	0.6	0.5	0.4	0.4	—
Residual expenditure under repealed sections of the Local Employment Act 1972									
Selective assistance to individual industries, firms and undertakings	522.4	118.3	57.7	279.1	87.2	91.2	73.2	42.2	23.8
National Enterprise Board	20.8	228.8	463.6	61.6	243.9	114.0	92.6	7.4	6.8
Investment grants	94.2	30.7	6.8	3.1	1.5	0.7	0.3	0.1	0.1
National Research Development Corporation									
Other support services	0.1	0.2	0.4	0.9	1.3	2.3	1.1	0.7	0.7
Future industrial support	—	—	—	—	—	3.0	6.3	6.1	31.5
Total	1,270.3	986.4	1,045.9	911.4	721.0	657.5	602.7	449.3	426.1
Scientific and technological assistance									
General industrial R and D	64.4	62.9	59.1	66.1	82.5	107.8	101.3	92.5	102.6
Aircraft and aeroengine general R and D	33.4	29.8	25.3	18.2	20.5	20.0	20.5	20.5	20.5
Space	39.9	46.4	40.3	35.9	37.0	35.9	36.9	29.7	29.7
Total	137.7	139.1	124.7	120.2	140.0	163.7	158.7	142.7	152.8
Support for aerospace, shipbuilding and steel industries									
Concorde development and production	146.5	80.0	64.6	49.6	32.3	31.7	23.8	19.5	16.3
Finance for Rolls Royce Ltd.	-2.1	14.9	-6.7	35.6	71.3	263.9	62.3	42.7	-5.3
Other aircraft and aeroengine projects and assistance	90.5	-3.2	3.7	54.8	-4.1	-3.9	-4.2	-4.1	-4.2
Refinancing of home shipbuilding lending	172.9	103.6	-118.2	-21.1	-28.0	-14.0	-35.0	-34.0	-28.0
Interest support costs	48.7	63.5	28.7	46.3	59.0	59.0	35.0	2.0	-11.0
Assistance to the shipbuilding industry	49.6	18.5	45.6	23.3	53.1	63.0	32.2	22.1	12.2
Assistance to the steel industry	2.6	2.7	3.3	8.7	23.5	21.5	1.1	1.1	1.1
Total	508.7	280.0	21.0	197.2	207.1	421.2	115.2	49.3	-18.9
Central and miscellaneous services									
Departmental administration	37.5	32.3	33.2	34.0	33.8	34.6	32.5	30.9	30.2
Other	3.3	3.0	3.2	1.2	1.3	2.6	2.6	2.7	2.7
Civil Defence	0.1	0.1	0.1	0.1	0.2	0.5	0.5	0.5	0.5
Grand Total	1,957.6	1,440.9	1,228.1	1,264.1	1,103.4	1,280.1	912.2	675.4	593.4
Changes from Cmnd 7841 revalued	—	—	—	—	-218.9	-0.2	+5.0	+4.3	-3.0
Cmnd 7841 revalued	1957.6	1440.9	1228.1	1264.1	1322.3	1280.3	907.2	671.1	596.4
Revised economic assumptions						-25.9	-19.2	-3.8	-0.1
Reduced requirements not included in the baseline:									
Cash Limits squeeze in 1980-81:									
Civil Service manpower and related expenditure						-1.4	-1.5	-1.5	-1.4
Other items						-6.5	—	—	—
Other reduced requirements						—	-24.2	-15.2	-0.6
Total						-7.9	-25.7	-16.7	-2.0

TABLE 8 (continued)

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Additional bids									
(i) Regional development grants							16.0	16.0	16.0
(ii) Regional selective assistance							—	6.5	—
(iii) NEB							8.3	—	-0.8
(iv) Other support services							1.3	1.3	1.5
(v) Scientific and Technological assistance							14.2	30.2	20.1
(vi) Home Shipbuilding lending							23.8	1.4	2.4
(vii) Assistance to Shipbuilding							10.6	4.8	—
(viii) Assistance to the Steel Industry							50.7	22.1	1.6
(ix) Departmental administration							0.3	0.7	0.3
(x) Ad hoc contributions to the ECSC budget							2.7	2.5	2.4
Offsetting savings									
RB211 engine levies							-0.5	-10.9	-8.5
Total (net)							127.4	74.6	35.1
Options for reductions							-18.0	-20.0	-18.0

Introduction

1. This programme covers a variety of industrial support measures: Regional Development Grants (RDGs); regional and national selective assistance; support for R & D; shipbuilding; the NEB; Concorde; and support for BL and Rolls Royce. In line with their policies decided in Opposition Ministers agreed last year to significant cuts in the Department's programme over the period to 1983-84. These cuts were achieved principally by changes in regional policy, in the provision for the NEB and by reductions in the provision for selective assistance. Support for R & D was also reduced. Revised policies covering the major changes were announced in July 1979. By 1983-84 regional support will account for 50 per cent of the reduced programme.

Implications of the Baseline

2. On a number of programmes the Department of Industry judge the baseline to be inadequate. This gives rise to a number of additional bids which are listed in table 8 and described more fully in paragraph 8 below.

3. There are in addition a number of uncertainties affecting some of the baselines for sub-programmes which are not the subject of specific bids. There are major unquantifiable questions about the future funding of BL and Rolls Royce. Future provision for the former is limited to £75m cash in 1981-82, included under the NEB. This is the balance of the Ryder £1 billion. On Rolls Royce Ministers have

agreed in principle to the provision of further financing but will not discuss the amounts until Rolls Royce produce a new strategic plan in June.

4. Similarly, neither the baseline nor the specific additional bids, include sums that may be required:—

- (i) to cover any future phases of the shipbuilding intervention fund or an extension to the shipbuilding redundancy payments scheme which is due to end in 1981. These questions will be for decision by Ministers in the forthcoming shipbuilding review;
- (ii) to cover any expenditure not covered by fees and charges which could follow from the recommendations of the Finnieston Committee on the engineering profession.

5. This analysis of possible additional expenditure, together with the specific additional bids, means that the only principal sub-programmes in the baseline about which there is no uncertainty are those covering national selective assistance under Section 8 of the Industry Act, aircraft and aero-engine R & D and Concorde.

Revised Economic Assumptions

6. The following assumptions have been made in calculating the reductions shown in the table. These assumptions affect industrial assistance and the NEB, shipbuilding fixed rate credit, cost escalation and assistance.

1979-80 = 100

	1980-81	1981-82	1982-83	1983-84
Earnings	118	131	141.5	150
Fixed investment prices	119.7	131.7	140.9	147.9
1 month LIBOR	14%	10%	7%	5%
Retail prices	117	128.7	137.7	144.6
Wholesale prices	114.7	126.0	135.0	141.8
GDP at Market prices	119.5	132.6	141.9	149

Reduced Requirements not Included in the Baseline

7. In addition to the effects of the cash limits squeeze, which affects particularly the four sub-programmes comprising Scientific and Technological Assistance, a lower forecast of investment intentions by industry gives rise to reductions in the projected take-up of RDG's.

Additional Bids and Offsetting Savings**(i) Regional Development Grants**

This bid results from the assisted area up-gradings in steel rundown areas agreed by Ministers on 12th June (full year cost £16 million).

(ii) Regional Selective Assistance

This bid results from revised forecasts of demand under existing policies. The provision for future industrial support is inadequate to meet this additional demand in 1982-83.

(iii) National Enterprise Board

Last July Ministers agreed to provide the NEB with £140 million (cash) for its high technology and regional/small firms roles over the three year period to March 1983. In the event it was not possible to accommodate that decision within the expenditure decisions taken by Cabinet last autumn.

(iv) Other Support Services

The Department of Industry sponsors educational activities aimed primarily at interesting young people in the engineering and associated professions and at identifying and filling, through "pump-priming" support, gaps between the further education service and the training requirements of industry. The Department considers that these activities should be expanded. The additional bid sought would approximately double the level of activity.

(v) Scientific and Technological Assistance

This is a cash-limited management budget comprising four separate but related sub-programmes concerned with research and development. The additional bid, which would rather more than restore the reductions made in this budget following Cabinet's review of public expenditure last year, covers two of these, viz:

(a) Industrial R & D and Other Support

In the Department's view more of our national resources must be channelled urgently to opportunities in new technologies where our industrial competitors, with Government aid, are investing more heavily than the UK. This programme already provides for a large proportion of the existing micro-electronics support programmes introduced by the last Government and other measures of product support. The additional resources would be directed towards stimulating UK activity in fields such as fibre optics, telematics, biotechnology and robotics.

(b) Space

In the Department's view space support has considerable potential benefits for UK firms, not only through their direct involvement in space projects, but also through ground developments in telecommunication and satellite broadcasting that UK participation in European Space Agency and other international projects may bring. These benefits might well be unobtainable if space support were reduced.

(vi) Home Shipbuilding Lending

This expenditure relates to refinancing shipbuilding loans taken out before 1 April 1980 and interest support costs. The additional bid is due to slippage in shipbuilding programmes which lead to loans being advanced later than expected with higher payments falling particularly in 1981-82. This is partially offset by a reduced level of interest support payments in that year.

(vii) Assistance to Shipbuilding

This bid relates to forecast higher expenditure on redundancy payments and on

existing commitments under the shipbuilding cost escalation scheme (now ended).

(viii) Assistance to the Steel Industry

This programme is concerned with payment to redundant steel workers under a statutory scheme. The bid arises from the de-manning measures announced first with the closures of Shotton and Corby, then in December 1979 as part of more widespread cut-backs in steel production. Payments to redundant steelworkers are made under statute and alterations would require an Order to be laid before Parliament. Up to half the costs of the payments are refunded by the ECSC and are netted-off against the UK contribution to the European Communities.

(ix) Departmental Administration

The small bid under this CSD-controlled programme arises mainly from additional computer costs — for a Regional Office Information system, from the increased cost of the Business Statistics Office computer and from higher software and maintenance costs. Part of the bid arises from the inadequate transfer of PES provision from the CCA when this item of expenditure ceased to be provided on an allied service basis from 1980-81.

(x) Ad hoc Contributions to the European Coal and Steel Community.

The UK and other member countries have agreed in the last three years to make ad hoc contributions to the ECSC to correct an imbalance in its budget occasioned by the parlous state of the communities Steel industry. It is likely that further ad hoc contributions will be required in the later years of the survey. The Department consider that expenditure resulting from this bid should be scored on programme 2, on which ECSC receipts are recorded.

9. The offsetting savings shown in table 8 arise from increased receipts from R & D levies on RB211 engines. These savings, however, will be more than offset by the as yet undecided future financing requirements of Rolls Royce. At this stage the Department is not in a position to offer substantive savings to offset the additional bids described above. The Secretary of State has

however asked officials to find further economies and these will be reported as soon as possible. The precise treatment of such savings would be for further consideration.

Options for Reductions

10. Following the decisions taken last year this programme will decline (even if all of the additional bids were approved) by over 50 per cent between 1980-81 and 1982-83. In the Department's view this makes it particularly difficult to identify option cuts that are consistent with assurances that have been given about the maintenance of industrial support after the new policies announced in July 1979.

11. The Department of Industry have identified two possible areas:—

(i) Regional Development Grants

In theory, expenditure on RDGs could be reduced in several ways, eg, cutting the rates of grant, increasing the thresholds of qualifying investment which would disqualify small investment by smaller firms, exclusion of particular sectors, and further moratoria on payments. In practice, changes in the RDG criteria necessary to achieve the cuts sought would be extremely difficult to reconcile with assurances that have been given concerning the stability of regional policy following the changes announced in July 1979. An Order would be required to change criteria.

(ii) Refinancing Home Shipbuilding Lending

Last year the Government decided to stop refinancing new shipbuilding loans taken out after 1 April 1980 without prejudice to its commitment to continue refinancing existing loans. This option relates to the disposal of early repayment of existing refinancing loans. Such loans could be passed back to the banks in order to achieve short term public expenditure savings at the cost of reducing repayments (thus increasing expenditure) in later years. Such an arrangement would marginally increase the cost of interest support (ie by the difference between the "agreed" rate of interest paid to the banks and the Government's own borrowing rate — say, slightly over 1 per cent). The Bank of England have advised that it would be premature to re-open discussions with the Clearing Banks on refinancing so soon after last year's negotiations. This factor may not be decisive

as it would not be necessary to dispose of the loans before 1982. A further important consideration would be the need for additional savings in the mid 1980s to "make good" the loss of repayments which would have occurred then.

12. Pending the outcome of the Department's review of the scope for further savings the Treasury note that a wider range of smaller adjustments might merit consideration to achieve savings equivalent to the options for reduction listed in Table 8. Such adjustments might include:—

- (i) a change to the threshold for RDG's;
- (ii) savings on Scientific and Technological assistance. In particular, the baseline pro-

vides for expenditure on the Microprocessor Applications Project (MAP) beyond the £25 million review point agreed by Ministers last year. It would also be possible to reduce the rate of grant for product support by administrative action.

- (iii) Savings to be achieved by closer scrutiny of schemes for regional selective assistance.
- (iv) Savings on national selective assistance. This sub-programme largely covers commitments arising from the sectoral schemes undertaken by the last Government. But it also contains provision for new support to eg internationally mobile projects, rising from £3 million a year to about £11 million in 1983-84.

9. Department of Energy

TABLE 9

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Regional and general Industrial support									
Selective assistance to individual industries firms and undertakings	3.3	7.0	12.7	14.7	19.8	19.3	20.4	19.6	14.4
Regional employment premium	0.8	0.8	—	—	—	—	—	—	—
Other support services	13.5	3.1	9.3	3.0	2.4	2.4	2.7	2.4	2.3
Total	17.6	10.9	22.0	17.7	22.2	21.7	23.1	22.0	16.7
Scientific and technological assistance									
Non nuclear R & D	11.1	15.9	22.9	18.8	27.0	37.1	37.3	33.5	31.1
Nuclear	184.6	204.8	159.2	159.7	145.1	158.3	168.2	168.2	168.2
Total	195.7	220.7	182.1	178.5	172.1	195.4	205.5	201.7	199.3
Support for other nationalised industries (other than transport industries)									
Assistance to the coal industry									
Coal Industry Acts	71.9	85.8	82.9	81.0	77.0	93.8	95.9	97.4	97.9
Pneumoconiosis scheme	40.0	—	—	—	—	7.0	—	—	—
Other support services	2.8	16.8	31.0	133.0	181.4	151.3	127.0	40.7	2.4
Other compensation	17.4	13.5	9.7	6.1	5.5	5.1	9.0	9.0	9.0
Total	132.1	116.1	123.6	220.1	263.9	257.2	231.9	147.1	109.0
Central and miscellaneous services									
Departmental administration	9.8	9.4	8.0	9.6	10.1	11.3	10.5	9.7	9.7
Other services (cash limited) ⁽¹⁾	0.7	6.4	-0.3	-3.5	-31.4	5.4	5.6	6.3	7.2
Other services (non-cash limited)	—	3.4	24.6	27.4	8.8	1.1	0.9	1.0	1.0
Grand Total	355.9	366.9	360.0	449.8	445.7	492.1	477.5	387.8	342.4
Changes from Cmnd.7841 revalued	—	—	—	—	-82.8	-0.2	—	-5.4	-8.5
Cmnd.7841 revalued	355.9	366.9	360.0	449.8	528.5	492.3	477.5	393.2	351.4
Revised economic assumptions	—	—	—	—	—	—	—	—	—
Reduced requirements not included in the baseline:									
Cash Limits squeeze in 1980-81:									
Civil Service manpower and related expenditure	—	—	—	—	—	-0.2	-0.2	-0.2	-0.2
Other items	—	—	—	—	—	-12.5	—	—	—
Other reduced requirements	—	—	—	—	—	—	—	—	—
Total	—	—	—	—	—	-12.7	-0.2	-0.2	-0.2
Additional bids:									
(i) Nuclear	—	—	—	—	—	—	8.6	19.6	23.7
(ii) Energy conservation publicity	—	—	—	—	—	—	2.0	2.0	2.0
Offsetting savings	—	—	—	—	—	—	—	—	—
Total (net)	—	—	—	—	—	—	10.6	21.6	25.7
Options for reductions									
(i) Nuclear	—	—	—	—	—	—	-3.5	-5.0	-5.0
(ii) Non-nuclear R & D	—	—	—	—	—	—	-5.5	-5.5	-4.5
(iii) Energy conservation publicity	—	—	—	—	—	—	-0.5	-1.0	-1.0
Total	—	—	—	—	—	—	-9.5	-11.5	-10.5

⁽¹⁾ Includes PSA expenditure attributed to the Department of Energy.

Introduction

1. Financial support to the nationalised industries, mainly coal, and expenditure by the Atomic Energy Authority (AEA) account for 80 per cent of the Department's total expenditure. The decline in expenditure over the survey period reflects a reduction in the level of grants to the National Coal Board (NCB) which is consistent with the objective given to the Board of eliminating its group deficit after interest and social grants by 1983-84. Social grants will continue at about their present level of £95 million a year.

2. After taking account of agreed additions to Cmnd.7841 the total forecast for 1981-82 shows no change compared with the White Paper revalued, whilst the forecasts for 1982-83 and 1983-84 show reductions of £5.4 million and £8.5 million. The forecasts will enable the Department to continue its existing policies with the exception of aspects of nuclear R & D and the current level of expenditure on the energy conservation publicity campaign.

Regional and general industrial support

3. Expenditure on this programme is almost entirely on existing and expected commitments under the now terminated Offshore Supplies Interest Relief Grant Scheme. The expenditure is demand related and not subject to administrative control.

4. The Department's contribution to the Offshore Protection Force and the Missile Guidance System for the Cardigan Bay range will continue. This expenditure is subject to administrative control.

Scientific and technological assistance**Non-nuclear R & D**

5. The Department's research and development programme, the provision for which was considerably reduced in Cmnd.7841, is expected to continue in the fields of offshore oil and gas technology, geological studies, safety of offshore installations, energy conservation, new energy sources and coal technology. This expenditure is subject to administrative control.

Nuclear R & D

6. The provision for nuclear R & D is derived from forecasts made in 1974 and is considered by the AEA to be unrealistic in the light of current and likely national requirements in the nuclear field.

Additional bids

7. The AEA advise that increased expenditure on pressurised water reactor (PWR) safety is necessary following Ministers' decision that the next nuclear power station order should be for a PWR, subject to safety and a public inquiry. The sums are not yet certain. The bulk will be found from within the AEA's existing baseline but present estimates indicate a need for additional expenditure of around £2 million a year. The AEA could find the sum required for 1981-82 from within their existing baseline by deferring some expenditure on other vote-funded programmes. But they say they would be unable to do so for 1982-83 and 1983-84 without facing the difficult decisions identified in paragraph 22. They therefore feel they could not commit expenditure on this item in 1981-82 unless additional bids of £2 million were accepted for each of the later years. This increase in the AEA's baseline would still leave the Department's total forecasts for 1982-83 and 1983-84 below Cmnd. 7841 after taking into account the reduced requirements mentioned in paragraph 15. It is proposed that the increase in these years be made.

8. Depending on decisions about fast reactor policy yet to be taken by Ministers, additional expenditure up to the following levels could be needed:

£ million		
1981-82	1982-83	1983-84
6	14	20

9. Additional funds may be needed as follows depending on decisions to be taken on fusion R & D in Europe, in particular on the Joint European Torus (JET):

£ million		
1981-82	1982-83	1983-84
2.6	3.6	1.7

10. The additional bids have no significant staffing implications.

11. It is assumed that British Nuclear Fuels Ltd. will continue to be allowed to raise all its new capital requirements by borrowings on the commercial market including overseas. If this policy were changed, provision for very substantial NLF borrowings by the company would be needed over

the period, amounting to £65 million—£100 million in 1981-82 (depending on whether BNFL secure £35 million from the European Investment Bank), £185 million in 1982-83 and £250 million in 1983-84. (Borrowing from the NLF would also be needed in the year 1980-81 which is not within the scope of this report.)

12. If GEC decide to exercise their right to require the UKAEA to buy some or all of their shares in the National Nuclear Corporation, a sum of up to or around £3 million at 1980-81 outturn prices might be required to meet this obligation. Depending on the speed with which the company's auditors provided certified valuations the expenditure could fall in 1980-81 or 1981-82 or be spread across both years.

Support for the Nationalised Industries (other than Transport Industries)

Assistance to the Coal Industry

13. Social Grants. The Government will continue to make contributions to the Mineworkers Pension Scheme deficiency on the basis of the current actuarial deficit. Payments in connection with pit closures, the Redundant Mineworkers Payments Scheme (RMPS) and Early Retirement Benefits are forecast to continue throughout the survey period under legislation now before Parliament. Since Cmnd. 7841, enhancement of the payments under the RMPS has been agreed and from 1980-81 the scheme will also include coke workers. The cost of these changes will be met by a reduction in borrowing by the NCB, resulting in no change in total public expenditure. This expenditure is demand related but subject to administrative control.

14. Operational Grants. The provision for non-social grants payable to the NCB is consistent with the strategy agreed by Ministers under which the Board has been set a target of eliminating its group deficit after interest and social grants from 1983-84. The Coal Industry Bill will extend the period during which grants may be paid towards the promotion of coalburn at power stations, the cost of building up and maintaining stocks of coal and coke and in connection with coking coal and will take powers to allow the payment of grants towards the NCB's deficit.

Other Compensation

15. The Department will meet its commitments

to compensate the Central Electricity Generating Board for the cost of accelerating the construction of Drax 'B' power station. This is contractually governed and is not subject to administrative control. Revised forecasts of progress on the construction programme have led to reduced requirements in two of the survey years as follows:

1982-83	1983-84
-5.4	-8.5

These have been reflected in the Department's baseline.

Central and miscellaneous services

16. Administrative and Miscellaneous Services covers the Department's salaries and general administrative expenses which now include printing and stationery previously provided by HMSO as an allied service. The expenditure is subject to administrative control.

17. Other services include the maintenance of the Department's oil pipeline and storage systems. The system's operating deficit will continue to be met from the sale of Government owned oil stocks and does not constitute a charge on public expenditure. The Department will from 1980-81 pay BNOG a handling fee in respect of oil taken by the Secretary of State as royalty in kind. Expenditure on energy conservation includes demonstration projects, information and advice and other minor items. This expenditure is subject to administrative control.

Additional bids: Energy conservation publicity

18. To supplement the Central Office of Information's provision of £1 million a year for energy conservation publicity, it is proposed that additional bids of £2 million a year for 1981-82 to 1983-84 be approved. This, taken with the additional bid for PWR safety on the nuclear programme, would still leave the Department's total forecasts for 1982-83 and 1983-84 lower than Cmnd. 7841 after taking into account the reduced requirements mentioned in paragraph 15; but the forecast for 1981-82 would be £2 million greater.

19. Depending on decisions yet to be taken, some contribution may need to be made to a programme

to improve the energy efficiency of houses occupied by old age pensioners.

Options for reductions

20. Application of cuts of 2 per cent in 1981-82 and 3 per cent in the later years would require total savings against the Department's forecasts of:

	£ million		
	1981-82	1982-83	1983-84
Total	9½	11½	10½
21 Illustrative contributions:			
UKAEA	3½	5	5
Non-nuclear R & D	5½	5½	4½
Energy conservation	½	1	1

These illustrative contributions are based on the assumptions:

- that the Atomic Energy Authority is required to accept cuts of 2 per cent, 3 per cent and 3 per cent in its baseline expenditure in 1981-82, 1982-83 and 1983-84;
- that the cuts to be made on the rest of the Department's programme must of necessity fall on non-nuclear R & D and energy conservation. (This is because assistance to the coal industry has been determined in relation to the agreed overall financial strategy for the NCB; payments to the electricity industry in respect of Drax B and to undertakings under the Interest Relief Grant Scheme are contractual commitments; and the Department's Central and Miscellaneous Services provision is subject to the 2½ per cent staff cuts squeeze.)

22. As regards nuclear R & D, the Atomic Energy Authority advise that the figures in the survey baseline will themselves entail some deferment of programmes needed to support likely future requirements for nuclear power, and that reductions could only be made as a result of policy decisions on individual programmes. The main choices would be made from the following areas:

- running down the non-JET fusion work carried out at Culham and weakening its role as a centre of excellence in support of the JET project, thus reducing one of the advantages adduced to our European partners in support of siting JET at Culham;

- ruling out an early start on a Commercial Demonstration Fast Reactor or otherwise reducing our effort on the fast reactor, a major policy area which Ministers are due to consider;

- postponing work on the development of techniques for processing and disposing of nuclear materials, despite the importance of this work for the public acceptability of nuclear power; and/or

- eliminating one or more other areas of work carried out by the Atomic Energy Authority within their underlying research programme which would weaken their support for the nuclear programme as a whole.

23. Reductions in the non-nuclear R & D budget of the order shown above would mean a cut of more than 14 per cent on a level of expenditure which is itself the result of severe reductions in the course of last year's savings exercise. At least one of the major areas of departmental R & D work would have to be curtailed or abandoned. Some of these are much in the public eye, such as work on renewable energy sources or coal liquefaction. Others are concerned with our most significant present source of energy, North Sea oil. There would clearly be priorities to be set, but reductions of this order would mean for example:

- no departmental support for further work on coal liquefaction
- or the termination of work on one or more of the renewable sources of energy such as the wave power programme and undertaking no further geothermal deep drilling
- or abandoning both our work on enhanced oil recovery and R & D support for the UK's offshore supplies industry.

24. The energy conservation baseline figures for each of the three years in question have already been considerably reduced to reflect the slower than expected start to the Demonstration Projects Scheme. The further reductions represent cuts of up to almost 20 per cent and could only be accommodated by severe curtailment or even abandonment of one or more of existing activities. For example:

- reductions of up to 60 per cent in the sums earmarked for subsidised consultancies under

the Energy Survey Scheme. This scheme is the linchpin of the Department's specialised advisory services which are particularly valuable to the small and medium sized firms who have neither the resources nor the in-house expertise to identify opportunities for more efficient use of energy

- abandonment of industrial sector study activities which are an important element in the Department's programme of information,

training and advice to industry. These studies have as their objective the encouragement of energy management and of voluntary target setting by industry

- reduction of up to 40 per cent in the programme covering demonstration projects. Expenditure under this scheme sows the seed corn for industrial technological developments and innovations in energy conservation.

10. Department of Trade

TABLE 10

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Food subsidies	482.7	257.3	23.4	0.1	-0.2	-	-	-	-
Regional and general industrial support									
Regional employment premium	0.2	0.2	-	-	-	-	-	-	-
Promotion of Tourism	21.0	18.7	18.9	19.3	22.6	22.1	21.9	21.9	21.9
Other support services	-	1.0	0.3	0.9	0.5	1.0	-	-	-
Total	21.2	19.9	19.2	20.2	23.1	23.1	21.9	21.9	21.9
Export promotion and trade co-operation	21.6	20.7	20.5	20.4	23.6	25.8	25.1	22.4	22.5
Regulation of domestic trade and industry and consumer protection	43.8	38.8	45.3	49.1	47.8	51.0	53.8	50.8	50.7
Shipping services	14.5	11.7	16.0	14.8	19.2	25.0	15.8	13.9	13.5
Civil aviation									
Civil Aviation Authority									
Grant-in-aid (excluding Scottish aerodromes)	90.3	57.8	18.4	11.4	23.6	23.5	2.8	2.8	2.8
Grant-in-aid for Scottish aerodromes	4.7	1.9	2.0	3.6	4.3	1.7	1.7	1.7	1.7
Other	11.3	2.0	17.5	14.3	5.2	8.4	1.9	1.9	1.9
Total Civil Aviation Authority	106.3	61.7	37.9	29.3	33.1	33.6	6.4	6.4	6.4
Capital investment by local authorities on aerodromes	4.4	3.3	2.5	7.4	16.2	11.9	16.9	11.8	11.8
Other civil aviation services	31.6	31.2	28.5	9.9	6.8	2.9	2.1	1.9	1.8
Total	142.3	96.2	68.9	46.6	56.1	48.4	25.4	20.1	20.0
Departmental administration	39.8	39.6	38.5	38.0	38.1	41.8	37.5	36.8	35.7
Other services	-0.1	-0.2	-0.2	-0.1	-0.2	-	-0.1	-0.1	-0.1
Grand Total	765.8	484.0	231.6	189.1	207.5	215.1	179.4	165.8	164.2
Changes from Cmnd. 7841 revalued	+0.1	-0.1	-	-1.5	-2.5	+1.1	-	-	-
Cmnd. 7841 revalued	765.7	484.1	231.6	190.6	210.0	214.0	179.4	165.8	164.2
Revised economic assumptions						-	-	-	-
Reduced requirements not included in the baseline:									
Cash Limits squeeze in 1980-81:									
Civil Service manpower and related expenditure						-1.2	-1.2	-1.1	-1.1
Other items						-	-	-	-
Other reduced requirements						-	-0.2	-0.5	-1.0
Total						-1.2	-1.4	-1.6	-2.1
Additional bids									
(i) Civil Aviation Authority									
(a) Grant-in-aid and National Loans Fund							16.0	11.3	3.7
(b) Foreign borrowings ⁽¹⁾							13.0	13.0	13.0
(ii) Local Authority Expenditure on Airports							17.1	24.5	14.3
Offsetting savings							-	-	-
Total							46.1	48.8	31.0
Options for reductions									
(i) Tourism							-1.3	-1.8	-1.7
(ii) Export Promotions							-1.4	-2.0	-2.0
(iii) Local Authority Consumer Services							-0.9	-1.2	-1.2
Total							-3.6	-5.0	-4.9

⁽¹⁾ Foreign borrowing by the CAA affects the public expenditure planning total rather than total public expenditure.

Introduction

1. The Department of Trade's expenditure covers a number of small programmes including assistance to tourism, export promotion, regulation of domestic trade, consumer protection, shipping and civil aviation services. Local authority expenditure on local airports and on consumer protection activities is included in the Department's programmes. Administration forms a substantial proportion of the expenditure under departmental control.

Implications of the baseline figures

2. The baseline figures reflect the planned level of expenditure on these activities set out in Cmnd 7841 as a result of last year's survey. Some minor changes involving switches between sub-programmes have been agreed with Treasury and CSD officials. These include reductions on export promotion services as a result of the decision to move towards a higher level of cost recovery following the recent review of these services by Sir Derek Rayner.

Revised economic assumptions

3. Not applicable.

Reduced requirements not included in baseline

4. In addition to the effects of the cash limit squeeze, there are small reduced requirements on consumer protection in all years.

Additional bids and offsetting savings

5. The grant in aid to the Civil Aviation Authority (CAA) covers the deficit imposed on it by international agreements which prevent economic charges for certain services and the deficit incurred on its functions relating to the Highlands and Islands aerodromes. The plans assume the international constraints will have been removed by 1983-84 thus allowing full cost recovery on Euro-

control services. The additional bids in 1981-82 and 1982-83 are due to the Authority's costs — and thus the size of the Eurocontrol deficit — having increased far more than was expected at the time of the 1979 survey.

6. The CAA borrows from the National Loans Fund to finance capital investment. The additional bids partly reflect the extent to which the CAA's capital programmes have in the past been restricted by public expenditure constraints. Much of the CAA's air traffic control equipment is obsolescent, imposing increasingly heavy costs in both operating and financial terms and some major projects need to be set in hand urgently (e.g. South East radar replacements and the re-equipment of the London Air Traffic Control Centre). The CAA propose to undertake foreign borrowing in later years and, under the terms of a new financial control system to be introduced from 1981-82, the Authority's foreign borrowing will be included in the public expenditure planning total.

7. The bids for local airports are to a considerable extent for projects previously held up by public inquiries and referred to in the airport policy statement by the Secretary of State on 19 December.

8. No offsetting savings are proposed.

Options for reductions

9.

Tourism: a reduced level of activity

Export promotion: a mixture of higher charges and cuts in services

Local authority consumer services: this expenditure is not under the direct control of the Department and local authorities will decide where cuts are to fall.

11. Export Credits Guarantee Department

TABLE 11

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
International trade									
Refinancing of fixed rate									
export credits	818.2	664.1	-308.7	152.8	-407.1	-369.0	-203.0	-181.0	-175.0
Cost escalation guarantees	-0.6	-0.9	1.6	-1.2	0.5	29.5	17.6	17.5	7.3
Interest support costs	220.7	289.5	136.2	240.0	352.4	367.0	213.0	56.0	5.0
Total	1,038.3	952.7	-170.9	391.6	-54.2	27.5	27.6	-107.5	-162.7
Departmental administration	-6.8	-7.8	-6.3	-7.5	-7.0	-6.5	-6.5	-6.5	-6.5
Grand Total	1,031.5	944.9	-177.2	384.1	-61.2	21.0	21.1	-114.0	-169.2
Changes from Cmnd. 7841 revalued	-	+26.3	-	-	+7.1	-	-	-	-
Cmnd. 7841 revalued	1,031.5	918.6	-177.2	384.1	-68.3	21.0	21.1	-114.0	-169.2
Revised economic assumptions:									
Interest Support Costs						+24.0	-18.0	+18.0	-10.0
Reduced requirements not included in the baseline:									
Cash Limits squeeze in 1980-81:									
Civil service manpower and related expenditure						-	-	-	-
Other items						-	-	-	-
Other reduced requirements						-	-3.0	-19.0	-28.0
Total						-	-3.0	-19.0	-28.0
Additional bids									
(i) Refinance							32.0	-	-
(ii) Cost escalation							14.0	6.0	2.0
Offsetting savings							-	-	-
Total							46.0	6.0	2.0
Reasons for reductions							-	-	-

ECGD aims to conduct its main credit insurance business at no cost to public funds. Public expenditure would only be involved if ECGD faced a run of heavy losses which totally exhausted its cash reserves. This is not an immediate risk though it cannot be discounted completely in present world trade conditions. But in addition ECGD is responsible for three public expenditure programmes. Two of these — the provision of loans and interest support in connection with fixed rate export finance — arise from matching our principal trading competitors who offer similar fixed rate extended credit terms. The former mainly involves ECGD in making loans to banks to refinance a proportion of their fixed rate sterling export lending undertaken in respect of commitments entered into before 1 April 1980 whilst under the latter the banks obtain a commercial rate of return on their fixed rate export lending.

2. The third ECGD facility involving public expenditure is the cost escalation scheme. This provides some protection against increases in certain costs of completing export contracts for large capital goods.

3. The baseline

As a result of successive policy changes over the last few years (including the withdrawal of refinance for new sterling commitments from April 1980), we are expecting substantial net receipts of refinance over the survey period as the total of loans outstanding is reduced. These receipts (ranging from over £300 million in 1980-81 to rather under £200 million in 1983-84) largely offset expenditure on interest support and cost escalation in the early years and produce overall net reductions later. The higher level of receipts in 1980-81 reflects the agreement of the Trustee Savings Banks to take over a further

£200 million of outstanding refinance in the current year. It is assumed that this refinance and that taken over in 1979-80 is held by the TSB's throughout the period.

4. Changes

All forecasts of expenditure under ECGD's programmes have to be regarded as tentative, since they are demand responsive and highly sensitive to changes in economic assumptions. In particular the cost of interest support is highly sensitive to market interest rates. If, for example, rates in any year were 1 per cent above those assumed, this would add about £50 million in that year to the programme.

5. The changes on refinance reflect the latest estimates of outstanding sterling fixed rate export credits over the period. The changes in interest support costs reflect these latest estimates but are primarily the result of new interest rate assumptions. The higher expenditure expected under cost escalation in the later years results from slippage in issue of agreements.

6. Options for reductions

Options for reductions cannot be counted on to guarantee net savings as these can be easily outweighed by changes in economic circumstances outside export credit policy.

7. Three options can be identified:

- (i) Increasing the private sector's share of outstanding refinance;
- (ii) Raising the fixed rate of interest; and
- (iii) Withdrawing the cost escalation scheme.

8. Option (i) may be possible, although more study would be required to see whether there existed any private sector institutions prepared to take over more outstanding refinance. The TSBs have reached their limit for the time being at least. The banks themselves are now totally responsible for providing new finance, and so other institutions would have to be found. No particular savings can therefore be assumed.

9. Turning to option (ii) agreement has just been reached internationally to raise fixed interest rates by an amount equivalent to $\frac{1}{2}$ per cent for all markets. The savings therefore achieved are shown as reduced requirements. A unilateral increase in our fixed rates would achieve further savings, but that (unlike the agreement just reached) would damage our exporters' competitiveness.

10. Option (iii) would not produce specific savings on the present baseline because the forecasts of expenditure on cost escalation do not include costs which may be incurred in respect of future business for which ECGD has not yet been approached for cover. Estimating the additional bids likely to be required if the scheme continued beyond 1981 is difficult but at best the effects on expenditure would be likely to be neutral and if present trends were to continue could involve commitments of the order shown in the table at present for 1981-82 and 1982-83 extending into later years.

11. Options (i) and (ii) would involve administrative changes. As for option (iii), ECGD's present statutory authority for providing cost escalation will expire on 26 March 1981 unless it is renewed by Order.

12. Department of Employment

TABLE 12

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Employment and training									
Regional employment premium	353.6	315.6	3.7	—	0.1	—	—	—	—
General labour market services	41.1	48.4	51.4	67.3	114.7	117.4	120.3	120.8	120.4
Services for seriously disabled	50.4	51.6	49.1	50.1	52.0	58.7	58.2	59.2	57.3
Redundancy and maternity fund payments	193.9	163.4	159.7	153.3	151.7	171.7	179.6	172.3	172.3
Special employment measures	10.5	130.3	268.1	253.3	206.1	168.3	99.0	33.1	15.1
Central and miscellaneous services	16.4	28.1	32.6	27.5	21.2	26.8	31.2	30.8	30.3
Advisory, Conciliation and Arbitration Service	4.6	8.8	9.6	10.5	10.1	11.3	11.2	10.8	10.8
Health and safety at work	39.7	52.1	52.6	54.0	55.8	57.1	61.1	57.7	56.6
Manpower Services Commission	394.0	484.2	532.5	580.3	617.8	657.0	605.1	566.2	556.0
Grand Total	1,104.2	1,282.5	1,159.3	1,196.3	1,229.5	1,268.3	1,165.7	1,050.9	1,018.8
Changes from Cmnd. 7841 revalued	—	—	+0.1	-0.2	-29.9	+0.2	+20.5	+19.7	+19.7
Cmnd. 7841 revalued	1,104.2	1,282.5	1,159.2	1,196.5	1,259.4	1,268.1	1,145.2	1,031.2	999.1
Revised economic assumptions						—	—	—	—
Reduced requirements not included in the baseline:									
Cash limits squeeze in 1980-81:									
Civil service manpower and related expenditure						-5.1	-5.1	-5.1	-5.1
Other items						-9.5	—	—	—
Other reduced requirements						—	-4.8	-5.1	-4.8
Total						-14.6	-9.9	-10.2	-9.9
Additional bids:									
(i) Estimating									
Redundancy and maternity pay funds							20.9	15.9	5.1
(ii) Policy									
(a) Youth unemployment							18.4	21.1	21.1
(b) Special employment measures							45.0	85.0	150.0
(c) Maternity payment							0.5	5.8	5.8
Offsetting savings							—	—	—
Total							84.8	127.8	137.0
Options for reductions									
(i) Manpower Services Commission's grant in aid							-12.0	-17.0	-17.0
(ii) Special temporary employment programme							-11.0	-14.0	-14.0
Total							-23.0	-31.0	-31.0

The programme covers expenditure by the Department of Employment, the Manpower Services Commission (MSC), the Advisory, Conciliation and Arbitration Service, the Health and Safety Commission and local authorities on services and measures to improve the functioning of

the labour market, alleviate the effects of high unemployment and improve the health and safety of people at work. It excludes expenditure on the unemployment benefit service which is covered in the Social Security Chapter. Some 95% of the expenditure is by central government, rather more

than half being grant-in-aid to the MSC. Local authority expenditure is largely on the careers service and provision of sheltered employment. The only expenditure not subject to cash limits is that on special employment measures and on payments from the redundancy and maternity pay funds.

Implications of base line figures

2. For general labour market services, which include the special temporary employment scheme, community industry and the careers service, and also for the services for seriously disabled people which cover sheltered employment, the base line figures provide for the continuation broadly of the levels of services in 1980-81 except that the provision for community industry covers 6,000 filled places in 1980-81 and 5,500 in 1981-82 onwards. The level for the special temporary employment programme is 12-14,000 filled places. The special employment services programme allows for applications to be accepted for the job release and temporary short time working schemes only up to 31 March 1981. Provision for the Advisory, Conciliation and Arbitration Service, and for the Health and Safety Executive reflects the reductions in staffing of 11% and 6% respectively noted in Cmnd 7841.

3. As a consequence of the lower staffing levels noted in Cmnd 7841 the baseline figures for the Manpower Services Commission (MSC) provide for reductions in the specialised employment services although the standard of the general placing service will be maintained. The number of jobcentres is planned to rise from 645 in April 1980 to 995 in 1983-84 and the network should be completed in the following year. Provision for the youth opportunities programme, which is subject to annual review, allows for some 102,000 filled places in 1980-81 and 80,000 thereafter. Cuts in MSC expenditure as well as in staffing have resulted in reduced training volumes for the training opportunities scheme. The numbers trained will fall from 67,000 to 60,000 between 1980-81 and 1983-84. Part of the provision for grants for training in industry has been allocated provisionally to vocational preparation pending Ministerial decisions on the future of this form of training.

4. The baseline provides for the following additions to the revalued programme totals in

Cmnd 7841: the cost from 1981-82 of raising Redundancy Fund rebates from 41% to 50%, the cost of HMSO services for the department in 1979-80 and later years, and in all years the sum of payments to non-Crown bodies made by the department as agent for the European Social Fund.

Additional bids

1. The numbers of payments qualifying under existing statute for rebates from the redundancy fund are now expected to be 415,000 in 1980-81 falling to 290,000 in 1983-84; Cmnd 4871 allowed for only 320,000 in 1980-81 falling to 290,000 in 1983-84. Demographic factors and growing awareness of entitlement have raised the estimates of payments from the maternity pay fund to 125,000 in 1980-81 and 135,000 in 1982-83 onwards (110,000 in Cmnd 4871). Additional staff required can be absorbed within the department's existing allocations.

2. (a) Youth unemployment. The bid is to maintain the 1980-81 levels of filled places in the youth opportunities programme (102,000 places) and community industry (6,000 places) throughout the period, subject to annual review in the autumn. Expenditure by local authorities on 100 specialist careers officer posts is included. Other expenditure would be by the department and the MSC which would require about 200 staff.

(b) Special employment measures. The bid would make provision throughout the period for the temporary short time working scheme and the job release scheme which have hitherto been funded on a year to year basis.

	£ million		
The cost would be:	1981-82	1982-83	1983-84
Job release scheme	20	50	50
Temporary short time working scheme	25	35	35

The bid assumes that the schemes would continue in their present forms. However they will be reviewed annually in the autumn. Additional staff required can be absorbed within the department's existing allocations. Secondary legislation to extend the Employment Subsidies and Job Release Act would be necessary in due course.

(c) Maternity pay fund. The bid is to raise statutory maternity pay to compensate for the withdrawal of the earnings related supplement to maternity allowance in January 1982. An amendment to the Employment Protection (Consolidated) Act 1978 would be necessary. There are no manpower implications.

Options for reductions

1. Cuts in employment services including the scope of the employment transfer scheme and delay in the employment rehabilitation centre rebuilding programme; reduction in support for craft training and 2,500 fewer trainees under the training opportunities scheme (TOPS) in 1981-82 and 3,500 in later years; 4% reduction in the real value of allowances payable under the youth opportunities programme (YOP). No legislation would be

needed. There would be some staff savings. The final distribution of any reductions would need to be agreed with the Manpower Services Commission.

2. Cut in the special temporary employment programme equivalent to 2,900 places in 1981-82 and 3,700 in later years; no legislation needed. There would be some staff savings.

Treasury note that the reductions could be achieved without such large cuts in the special temporary employment programme by making a larger real reduction in the level of YOP and TOPS allowances than has been allowed for in the baseline and option (1) above. For example, an overall cut of 10% - 5% more than the cut in unemployment benefit to which these allowances have been linked in the past - would save £10m a year in addition to option (1) above.

13. Department of Transport

TABLE 13

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Motorways and trunk roads									
New construction and improvement	638.3	517.3	343.9	345.1	353.9	372.4	367.3	363.3	363.5
Maintenance and other current expenditure	94.3	99.2	92.9	106.4	110.7	108.9	111.0	111.0	110.9
Total	732.6	616.5	436.8	451.5	464.6	481.3	478.3	474.3	474.4
Local transport									
Capital:									
Roads—new construction and improvement	540.8	516.0	321.4	281.2	331.4	301.9	289.2	284.3	284.4
Car parks	31.5	24.8	14.8	13.2	15.2	15.2	13.9	13.9	13.9
Public transport investment	272.7	258.5	261.7	239.5	236.6	216.9	200.8	195.2	195.2
Current:									
Roads—maintenance	622.8	576.0	554.4	608.2	566.1	561.8	551.7	551.7	551.7
Car parks	-0.4	-5.7	-7.3	-10.8	-12.8	-18.1	-21.6	-24.1	-24.0
Road safety etc.	9.2	8.4	7.7	7.6	9.1	7.9	9.1	9.1	9.1
Local authority administration	205.8	180.5	176.9	178.2	177.5	170.2	156.8	134.4	134.4
Passenger transport subsidies:									
British Rail	27.6	26.3	33.8	34.4	40.2	36.8	36.5	35.4	35.4
Bus, underground and ferry services	287.9	262.2	203.3	199.8	207.7	187.6	173.3	160.3	167.4
Concessionary fares	113.2	113.2	106.7	114.7	112.5	110.3	104.5	109.5	104.5
Total	2,111.1	1,960.2	1,673.4	1,666.0	1,683.5	1,590.5	1,514.2	1,464.7	1,472.0
Central government subsidies to transport industries									
British Rail	832.5	677.6	626.0	588.1	650.4	584.3	577.2	566.7	566.7
National Freight Corporation	13.4	44.2	40.0	16.2	11.6	8.1	7.2	5.5	5.5
Other									
New bus grants to nationalised industries and private operators	36.6	31.9	31.6	34.2	34.2	30.5	23.1	15.8	8.5
Other central government support	0.9	1.4	2.7	3.0	7.3	9.1	7.9	7.9	7.9
Total	883.4	755.1	700.3	641.5	703.5	632.0	615.4	595.9	588.6
Ports and shipping									
Ports	77.2	88.9	90.2	73.2	67.3	68.8	59.1	57.4	57.4
Shipping	—	0.7	0.4	—	—	—	—	—	—
Total	77.2	89.6	90.6	73.2	67.3	68.8	59.1	57.4	57.4
Other transport services									
Roads and transport administration	21.2	21.6	19.1	18.8	17.5	19.0	18.7	18.6	18.6
Transport research and other services	43.1	15.4	8.8	7.4	9.0	18.4	16.2	16.0	15.7
Tax and rate collection	79.3	76.5	60.3	54.6	47.4	57.2	51.3	50.6	50.4
Total	143.6	113.5	88.2	80.8	73.9	94.6	86.2	85.2	84.7
Grand Total	3,947.9	3,534.9	2,989.3	2,913.0	2,992.8	2,867.2	2,753.2	2,677.5	2,677.1
Changes from Cmnd. 7841 Revalued	-0.3	-0.2	—	46.4	-41.7	—	—	—	—
Cmnd. 7841 revalued	3,948.2	3,535.1	2,989.3	2,906.6	3,034.5	2,867.2	2,753.2	2,677.5	2,677.1

TABLE 13 (continued)

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Revised economic assumptions						-	-	-	-
Reduced requirements not included in the baseline:									
Cash limits squeeze in 1980-81:									
Civil service manpower and related expenditure						-2.0	-2.0	-2.0	-2.0
Other items						-18.0	-	-	-
Other reduced requirements									
Driver and vehicle licensing computers						-1.0	-	-	-
Total						-21.0	-2.0	-2.0	-2.0
Additional bids:									
(i) Motorway and trunk roads maintenance							10.0	15.0	15.0
(ii) Rev redundancy payments							2.0	1.0	-
(iii) Road safety publicity							4.25	4.25	4.25
(iv) Subsidies to British Rail (Police)							1.0	1.0	1.0
(v) Driver and Vehicle Licensing Offsetting savings							2.0	4.0	4.0
Driver and vehicle licensing							-2.0	-2.0	-
Total (net)							17.25	23.25	24.25
Options for reductions									
(i) Motorway and truck roads and local transport							-40.0	-58.0	-58.0
(ii) Subsidies to British Rail							-13.0	-19.0	-19.0
(iii) Ports Investment							-1.0	-2.0	-2.0
(iv) Driver and vehicle licensing							-1.0	-1.0	-1.0
Total							-55.0	-80.0	-80.0

1. Almost the whole of Department of Transport expenditure is classified as roads and transport, the only significant exception being expenditure on driver and vehicle licensing which, being essentially a tax collection function, is classified as tax and rate collection in "other public services." In this context expenditure of some £50 million permits the collection of about £1,400 million vehicle excise duties. Reductions of about 2,500 staff were announced by the Lord President in December 1979, reducing the Department's manpower costs by about 18 per cent over 3 years.

2. About half the expenditure on the roads and transport programme is incurred by local authorities and the rest by central government. Roughly a third of the local authority expenditure is capital expenditure, principally on roads and public transport investment; the remainder is current expenditure, mainly on road maintenance, revenue support for public transport, concessionary fares and administration. About two-fifths of central government expenditure is for road construction

and maintenance; most of the rest is for support to transport industries, chiefly British Rail. Cash limits are applied to local authority borrowing, to government grants to local authorities and to almost all central government expenditure.

3. The main charges in the programme are for the operation of car parks by local authorities and for such services as driving tests and vehicle tests administered by central government.

Motorways and trunk roads

4. Three quarters of the expenditure is on the construction and improvement of motorways and trunk roads. The remainder is current expenditure, almost all on road maintenance. Total spending on motorways and trunk roads has been reduced by more than 35 per cent over the last five years.

Implications of baseline figures

5. For the years 1980-81 to 1983-84 the baseline is as in Cmnd 7841. Expenditure on motorway and trunk road construction is planned to decline

slightly, and on maintenance to remain broadly stable over the period.

6. The implications for the motorway and trunk road construction programme are set out in detail in the 1980 Roads White Paper (Cmnd 7908). Nearly half the provision for major schemes during this period is already contractually committed. The remaining provision will be sufficient to permit only contracts for high priority schemes to be let, requiring the deferment of schemes with potentially high rates of economic return or providing valuable environmental benefits. For example, in 1981-82 schemes with a total cost of about £390 million and providing a total net return of about £600 million would be ready to start; however, the baseline figures will only permit starts to be made on about £290 million worth of these schemes. In the survey period as a whole new starts will be restricted to the M25 London orbital road and a few other major industrial routes, such as the A1/M1 link, routes to the Haven Ports and the extension of the M180/A18 to Immingham. The completion of many badly needed by-passes will be put back to 1990 and beyond.

7. The baseline provision for motorway and trunk road maintenance underlying Cmnd 7841 is at a slightly higher level than previously planned. It is, however, still unlikely to be sufficient to meet the requirements for increased maintenance and reconstruction of the motorway network in the next few years.

Additional bids

8. The earlier motorways are now reaching the end of their design lives. Because of increases in the axle weights of commercial vehicles, and the concentration on motorways of increases in the flow of heavy vehicles, some are needing reconstruction several years earlier than had been expected. On average, 80 miles will require reconstruction each year, at a cost of approximately £1 million a mile. The baseline provision is sufficient for only 50 miles a year. An expanding programme is therefore needed and additional provision is sought as follows:

£ million		
1981-82	1982-83	1983-84
10	15	15

Offsetting savings cannot be found from elsewhere within the Department's programme.

9. The Minister of Transport has accepted the recommendation, made in the report of the study of Road Construction Units (carried out in consultation with Sir Derek Rayner), that the RCU sub-units should be phased out. The process is likely to start in 1980-81 and end in 1982-83. Many of the staff of RCU sub-units are local government officials on secondment. Liability for the redundancy payments (other than those falling on their superannuation fund) for those no longer required by their parent authorities will fall on the Department. The baseline figures make no allowance for these costs, for which additional provision is required. Preliminary estimates of the amounts involved are:—

£ million	
1981-82	1982-83
2	1

10. The Department has in recent years increased, from savings in its own programmes, the Central Office of Information's provision for road safety publicity. Nevertheless, the number of campaigns that could be financed each year has declined. To educate the public, particularly the 3½ million new drivers who qualify each year and young children and their parents, in the need for care it is necessary to restore the number of campaigns to their previous level. Additional expenditure of £4.25 million a year is required.

Local transport

11. The allocation of resources between the various heads of local transport expenditure is subject to review following discussions with the local authority associations, and the receipt of further information on the present level of expenditure. The baseline figures would mean about one third of the resources being allocated to capital expenditure, and the remainder to current. Over the last five years local transport spending has fallen by about a quarter.

Implications of baseline figures

12. The figures underlying Cmnd 7841 involve a reduction of nearly one-tenth in local transport spending between 1980-81 and 1983-84. Capital and current expenditure show similar proportionate savings.

13. The local transport capital programme includes road schemes receiving 100 per cent grant from central government, roads constructed by New Town Development Corporations, the Department of Transport's contribution to the urban programme, and resources for projects such as the Humber Bridge. Apart from these items, and from the declining expenditure on the Tyne and Wear Metro, the amount available for capital expenditure by local authorities will remain broadly stable through the period at a level about half that of the mid-1970's. The baseline figures make no allowance for possible links to new airport developments. Nor will they be sufficient to allow increases in expenditure on the scale which some authorities, particularly the GLC, consider necessary. For example, for 1980-81 less than half of local authorities' plans for new capital projects can be accommodated within the resources available.

14. The plans for current expenditure include a 2 per cent reduction in road maintenance expenditure between 1980-81 and 1981-82; a fall of 24 per cent in local authority transport administration between 1979-80 and 1982-83 (likely to involve a loss of about 4,300 jobs); and a reduction in the number of, and fall in the value of, concessionary fares schemes. A reduction in public transport subsidies of 21 per cent over the same period is also planned. This will contribute to rises in bus fares of about 6 per cent a year in real terms; as will the phasing out of new bus grant (see paragraph 22 below). An increase of £7 million has been provisionally set aside in 1983-84 in anticipation of pressures for higher levels of revenue support, particularly in rural areas.

Reduced Requirements

15. Revised information has become available since the cash limits were calculated of the movement of prices between November 1978 and November 1979. The effect of this, taken together with the latest forecasts of price movements between November 1979 and 1980-81, is to reduce the volume equivalent of the cash limit for motorways and trunk roads in 1980-81 to £18 million below the baseline figure.

Central Government support to transport industries British Rail

16. The largest item is grant to British Rail. This

reflects the Government's obligation to reimburse British Rail for operating a certain level of passenger services. This level is fixed by reference to the scale of services provided in 1974 when the present system of grant was instituted. Other grants include contributions to the cost of replacing assets used in the passenger rail business; towards the cost of level crossings; and in respect of the Board's historic pension liabilities. The figure for the latter grant reflects the revised method of support provided for in the current Transport Bill.

Implications of baseline figures

17. The provision for support for British Rail passenger services is the same as Cmnd.7841. Since the ceiling on the level of support was fixed in real terms in 1975, British Rail have managed to keep within the survey provision, but the Board now face increasing difficulty in holding down their support requirement to the required level. In part this reflects reductions from the 1975 level of support made by this and the previous Government. By 1979-80 these totalled £37 million and the baseline implies a further reduction of £46 million by 1983-84. But it also reflects the fact that the cost of running the railways has been increasing in real terms since 1977. Significant improvements in labour productivity in addition to real fare increases will be necessary to meet the reducing line in Cmnd. 7841. Service reductions are also a possibility.

Additional bid

18. The Board are proposing to strengthen their police force so that it can deal more effectively with the pressing problem of violence and hooliganism on trains and at stations, at a cost of about £1.2 million a year. An additional bid of £1 million in each year from 1981-82 onwards is included under British Rail passenger subsidies to contribute to this extra expenditure on law and order.

National Freight Corporation

19. Payments to the National Freight Corporation (NFC) are split into two separate categories: grant for the cost of travel concessions and National Carriers capital expenditure requirements (the latter due to end in 1981); and grant to assist the corporation to discharge its rail-based pension obligations reflecting the new method of support provided for in the Transport Bill.

20. Under the legislation the Minister will be empowered to convert NFC into a limited company and sell shares in it to the public. Both the travel concessions grant and support for historic rail-based pension obligations will continue to be paid to the successor company.

Other grants

21. Grants are payable under the Railways Act 1974 towards the cost of providing rail freight handling facilities and wagons in cases where transfer of traffic from road to rail will produce worthwhile environmental benefits, and where the facilities in question are not owned by the Railways Board.

22. The provision for new bus grant to nationalised industries and private operators declines steadily over the period, reflecting the Government's announced intention to phase out the grant by March 1984.

Ports and shipping

23. This sub-programme covers investment by the public trust ports and by local authority harbours on port facilities, together with loans to ports in the private sector. The investment covers development of new projects and improvements of existing facilities, and is geared to continuing customer requirements and the needs of industry in general. A substantial proportion of the work is connected with North Sea oil and oil-related activities. The expenditure also reflects the growth of container traffic and of roll-on/roll-off ferry facilities to Europe.

24. The provision also includes grants to be made to the Port of London Authority from central government towards the cost of staff severances, under the provisions of the Port of London Authority (Financial Assistance) Bill now before Parliament.

Other transport services

25. This item includes expenditure on central government administration, transport research and certain minor items. Provision has also been made for receipt of fees for services such as driving tests and vehicle tests.

Tax and rate collection: driver and vehicle licensing

26. This sub-programme covers expenditure on

driver and vehicle licensing and registration and the collection of driver licence fees and motor vehicle excise duties. All revenue received in respect of driver licence fees and vehicle excise duties is accounted for separately and paid into the Motor Tax Account held at the Bank of England for the Consolidated Fund. In recent years over 50 per cent of expenditure has been on staff salaries and associated costs, but this will gradually decline to about 40 per cent by 1983-84.

Additional bid

27. In the circumstances of a growing demand-led computer project, the provision transferred from the HMSO consequent upon the decision to move from allied to repayment services will not be sufficient to meet requirements. Apart from stationery etc, additional costs arise from the adherence to Government policy of buying a British mainframe replacement computer system and the decision to computerise Northern Ireland vehicle records, necessitating an additional bid of £2 million in 1981-82 and £4 million in 1982-83 and 1983-84. Partially offsetting savings, mainly on reduced Post Office unit costs, reduce the additional requirement to £2 million in 1982-83.

Options for reductions

28. A 2 per cent reduction in the Department's programmes, including driver and vehicle licensing, in 1981-82 would total £55 million and a 3 per cent reduction in subsequent years £80 million. A possible allocation for these reductions is shown in Table 13.

The implications of reductions at these levels are discussed in the following paragraphs. It is not possible to identify with certainty options for reductions on driver and vehicle licensing (see paragraph 35); if such savings were required from the Department's programmes, it would be necessary to reduce expenditure on roads and local transport by a further £1 million a year. However, in the Department's view there could be no case for reducing expenditure on the provision of transport infrastructure in support of essential transport services to meet the costs of tax collection.

29. There is no prospect of savings from motorway and trunk road maintenance. On new construction, as is noted in paragraph 6, the

present baseline permits new starts only on high priority schemes. For example, in 1981-82 the amount available for new schemes will be about £40 million; of this, £15 million will be required for new M25 contracts and about the same amount for other category I schemes, such as the M27 around Southampton and the Ipswich bypass on the route to the East Coast ports. A reduction in expenditure on new construction would therefore necessitate the deferment of more schemes with high economic and environmental benefits, to many of which the Government is already publicly committed. This would run counter to the Government's aim of protecting investment in infrastructure of importance to the economy; and it would have serious implications for the already hard-pressed construction industry.

30. Similar considerations apply to capital expenditure on local transport as to spending on trunk roads. Local road-building is necessary to connect with new trunk roads, industrial estates and other developments as well as to remove bottlenecks and improve safety. The resources available already fall well short of local authorities' aspirations. For example, for 1980-81 sufficient funds will be available for starts to be made on only about 40 miles of new local roads in England. Much the same is true also of public transport investment; most contracts for new buses to be delivered in 1981-82 are already finalised; and about £75 million of other public transport investments already committed in London and on the Tyne and Wear Metro alone.

31. In practice, therefore, the Department would have to look to local authority current expenditure to provide the main part of any necessary reduction. There must be considerable doubt as to whether the local authorities would achieve more than is already being asked of them. If they did it would almost certainly mean further increases in bus fares beyond those indicated in paragraph 12 above.

32. The baseline provision for support for British Rail (excluding the pension funds) assumes a progressive reduction, which reaches £62 million a year by 1982-83 compared with the 1975 level. The Board are likely to have severe problems in achieving this, given the prospect of rising real wage and fuel costs and ageing assets. The further reductions illustrated above would almost certainly entail further real fare increases and reductions in level or quality of services, possibly including some closures, since full credit has already been taken in the baseline figures for such improvements in productivity as it is realistic to forecast. Depending on the Board's success in reducing operating costs the baseline figures would imply real fare increases of perhaps 2 per cent each year. The further reduction illustrated above might be expected to increase this to 5 or 6 per cent each year, in addition to reductions in quality or level of service. No further reductions in support for British Rail pension funds would be possible, since under the Transport Bill the Minister will be statutorily obliged to make the payments shown. And if such a cut were made the Board would find it even more difficult to find the resources needed to strengthen their police force.

33. The reductions in port investment shown above could entail the slowing down of projects connected with the development of North Sea oil or with the growing trade with Europe.

34. Reductions of the required size in respect of driver and vehicle licensing would need either a reduction in enforcement, which would be counter-productive as a much greater amount of tax would be lost, or further changes in the operation of vehicle excise duty over and above those for which amending legislation is currently being taken. Savings could arise from an early Government decision on the introduction of a tax on possession and/or from the current Ministerial review of the operation of the "cherished mark" system, but it is not possible at present to identify their extent or when they could be achieved.

14. Department of the Environment — Housing

TABLE 14

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Current Expenditure									
General subsidies									
Central Government subsidies to local authority housing	969.0	1,115.0	1,052.0	1,149.2	1,215.0				
Rate Fund contributions to local authority housing	269.0	208.0	183.0	236.8	300.0				
Subsidies to new towns	99.6	106.7	116.4	121.8	123.0				
Housing association revenue deficit grants	3.4	5.0	6.0	6.6	7.6				
Total general subsidies	1,341.0	1,434.7	1,357.4	1,514.4	1,645.6	1,553.8			
Rent rebates									
Central Government	179.7	178.9	175.2	166.6	158.9				
Rate fund contributions	23.9	23.8	24.5	21.3	22.0				
Rent allowances	37.8	35.5	45.5	40.4	35.5				
Total income related subsidies	241.4	238.2	245.2	228.3	216.4	291.0			
Option mortgage scheme	171.0	191.0	182.0	164.0	186.0	204.0			
Administration									
Central government	9.9	9.5	9.5	10.4	10.1	79.7			
Local authorities	49.1	73.6	48.6	85.1	77.6				
Total current expenditure	1,812.4	1,947.0	1,842.7	2,002.2	2,135.7	2,128.5			
Capital Expenditure									
Local authority gross expenditure									
Land	263.9	194.2	107.6	73.6	36.0				
New dwellings	1,850.3	1,944.4	1,734.3	1,353.5	1,068.9				
Aquisitions	291.1	179.7	103.1	90.8	63.2				
Improvement investment	509.0	497.4	504.3	580.8	747.3				
Other	148.5	125.6	102.2	79.6	74.8				
Improvement grants	117.7	99.4	88.2	118.3	133.5				
Gross lending to private persons for house purchase and improvement	798.5	319.6	197.0	230.0	299.1				
Loans and grants to the housing associations	317.2	330.2	322.1	230.8	180.5				
Total local authority gross expenditure	4,296.2	3,690.5	3,158.8	2,757.4	2,603.3	1,984.1			
New towns gross investment									
Land	36.0	23.7	6.1	9.9	7.8				
New dwellings	225.2	241.0	191.2	148.1	152.0				
Improvements	3.3	3.5	5.0	3.0	4.1				
Total new towns gross investment	264.5	268.2	202.3	161.0	163.9	135.5			
Sales and repayments									
Land and dwellings									
Local authorities	-108.5	-125.6	-268.7	-479.4	-508.8				
New towns	-22.9	-23.6	-20.8	-28.5	-32.4				
Associated lending (gross)	57.7	79.5	148.4	297.8	362.9				
Repayments	-31.0	-41.2	-41.3	-46.4	-44.5				
Repayments of loans to private persons for house purchase and improvements	-298.2	-297.1	-335.1	-336.5	-255.0				
Repayment of loans to housing associations	-1.5	-4.2	-3.7	-7.7	-3.0				
Total sales and repayment	-404.4	-412.2	-521.2	-600.7	-480.8	-549.6			

TABLE 14 (continued)

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Housing Corporation schemes									
Loans and grants to housing associations									
Grants	160.8	335.2	423.2	417.2	380.1				
Loans	146.8	57.5	-40.5	-12.7	3.6				
Repayments	-0.5	-2.8	-2.5	-3.1	-2.7				
Sub Total (net)	307.1	389.9	380.2	401.4	381.0	369.3			
Savings bonus and loans scheme									
for first time purchasers (net)	-	-	-	-	-	4.5			
Other lending net	-126.8	-3.2	-4.0	-3.4	-3.0	-3.0			
Total capital expenditure	4,336.6	3,933.2	3,216.1	2,715.7	2,664.4	1,940.8			
Grand Total	6,149.0	5,880.2	5,058.8	4,717.9	4,800.1	4,069.3	3,223.3	2,694.5	2,373.6
Changes from Cmnd. 7841 revalued	-	-	-	+12.3	+34.6	+4.0	-	-	-
Cmnd. 7841 revalued	6,149.0	5,880.2	5,058.8	4,705.6	4,765.5	4,065.3	3,223.3	2,694.5	2,373.6
Revised economic assumptions						68	-25	-52	-61
Reduced requirements not included in the baseline:									
Cash limits squeeze in 1980-81:									
Civil service manpower and related expenditure						-	-	-	-
Other items						-25	-	-	-
Other reduced requirements ⁽¹⁾						-90	-65	-40	-42
Total						-115	-65	-40	-42
Additional bids									
Offsetting savings							-	-	-
Total							-	-	-
Options for reductions (total)							-65	-81	-71

⁽¹⁾ These figures are based on a notional Treasury assumption about the breakdown of the single line for housing. The treatment of option mortgage subsidy is under discussion; for the purpose of this table it is as the Treasury have proposed to the department.

1. The main table shows the baseline figures (revalued to 1980 survey prices) which resulted from the public expenditure review concluded last February. For 1980-81 a single block capital allocation has been made to each local authority under the Housing Investment Programme (HIP) system; it is for each local authority to decide how its allocation will be spent. The subsidy provision is based on a rent guideline of an average increase of £1.50 cash for the year 1980-81 and of 60p cash for the second half of that year; a 32 per cent increase in all. Averaged over the year, this is an increase of 23 per cent. For 1981-82 and for each of the following two years a single figure is shown, since no decisions have yet been taken about how the total provision is to be distributed in each of these years. The necessary decisions will fall to be made in the autumn preceding each year.

2. The Housing Bill will abolish the arrangement whereby local authorities reimburse DHSS for the notional rent rebate and allowance content of supplementary benefits. The consequent PESC transfer to DHSS (Programme 12) has been made, pending future decisions on rent levels, on a notional assumption that rents rise in line with prices.

Background

3. The present review takes place against the following housing background;

- (i) The Inherited Plans have been very substantially reduced—by 40 per cent for 1981-82 and 50 per cent for 1982-83.
- (ii) The capital allocations made to local authorities for 1980-81 did little more than

cover their existing commitments; the allocations were in real terms 33 per cent below those made by the present administration for 1979-80.

- (iii) Taken together the housing capital allocations made to local authorities, the Housing Corporation and new towns for 1980-81 are in real terms 21 per cent less than the estimated outturn for 1979-80.
- (iv) Housebuilding completions in the public sector are now at the lowest level since the war and will decline further as the fall in approvals works through. Private housebuilding will also almost certainly decline this year; future prospects are uncertain.
- (v) Mortgage lending has had to be completely suspended by 50 local authorities including the GLC (except for a small amount on homesteading); and another 25 have suspended mortgage lending for house purchase.
- (vi) Discretionary improvement grants to private individuals have also had to be suspended by some local authorities.

4. In the department's view it is not realistic to attempt to forecast how much housing provision is needed year by year but the following facts should be noted:

- (i) We have been losing 30,000 to 40,000 dwellings each year on average through slum clearance or demolition or for other reasons. Perhaps another 30,000 have been becoming irretrievably unfit each year.
- (ii) There are at present some 1,500,000 sub-standard dwellings in the stock; some require replacement, most can be improved.
- (iii) There are considerable numbers of dwellings vacant or underused. However, over 60 per cent of the vacant dwellings are vacant for reasons to do with their condition.
- (iv) The net annual increase in the number of households has been about 150,000—two-thirds of these being single person households.

By contrast:

- (v) Housebuilding starts in 1980 may amount to about 45,000 in the public sector and 100,000 in the private sector.
- (vi) Improvements of dwellings in the public

and private sector together were running at 155,000 in 1979.

While it is government policy to encourage the private provision of housing both through owner-occupation and private renting, it is not possible to make a realistic forecast of the extent to which housing needs will be met by those means.

Effect on capital expenditure provision of rent policy

5. The total available for capital expenditure in future years within the overall provision for housing will depend on the level of subsidies, which in turn will depend on the level of rents. Decisions on rent guidelines will be taken year by year. In the department's view speculation about rent increases over the survey period is pointless. But in determining rent guidelines each autumn the department considers that Ministers may wish to take account of the effect of rent increases on inflation and on wage expectations. The more important considerations of this kind become, the greater the squeeze on capital expenditure within the single line for housing.

6. The Treasury point out that by the time the previous Government left office unrebated rents were a lower proportion of earnings than at any time for at least twenty years (average unrebated rents in 1979-80 are estimated to be some £6.50 per week, about 6.6 per cent of earnings), and the rent rebate system provides relief to the less well off.

Revised economic assumptions and reduced requirements

7. Changes in economic assumptions (chiefly interest rates) affect housing subsidies and option mortgages and those made since Cmd. 7841 will fall to be discussed within agreed rules as decisions on the distribution of housing expenditure are reached each autumn. Under the agreement reached in the 1979 survey, changes in the requirements for housing subsidies as a result of changes in economic assumptions will be dealt with by equivalent increases or decreases in the baseline. The treatment of changes in requirements for option mortgage subsidy resulting from changes in economic assumptions or in tax rates is under discussion.

Additional bids

8. There are undoubtedly areas where additional bids would help to meet urgent needs, such as insu-

laison grants for the elderly and extra provision for housing association hostels to reduce homelessness in London, which in the Department's view cannot be accommodated within the much reduced provision for housing as a whole. But in view of the need to keep down public expenditure, DOE Ministers are not prepared to make any additional bids for housing in this year's survey.

Options for reductions

9. Reductions of 2 per cent in 1981-82 and 3 per cent in later years would mean

£ million		
1981-82	1982-83	1983-84
-65	-81	-71

Major reductions were made in the 1979 survey, with the consequences outlined in paragraph 3 above. Further savings would mean either more reductions in an already inadequate capital programme or further rent increases, which the Department believes to be impracticable. The Department considers therefore that no more savings are to be found.

10. The Treasury consider that reductions of this order would best be achieved by approximately equal reductions in subsidies and in expenditure on new build, and on improvement including improvement grants to individuals.

15. Department of the Environment — PSA

TABLE 15

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Office and general accommodation services									
Capital expenditure	133.3	127.4	98.0	78.9	60.3	51.4	49.3	40.2	48.2
Rent	118.6	125.0	132.7	128.0	123.9	123.1	122.8	117.8	111.1
Maintenance and other running costs	128.7	142.0	142.3	139.3	129.4	128.2	122.2	114.5	113.1
Transport services	12.1	11.3	11.2	9.7	9.8	9.2	11.2	11.5	11.5
Departmental administration	43.0	46.4	37.1	34.7	41.9	36.5	35.1	34.0	34.0
Total	435.7	452.1	421.3	390.6	365.3	348.4	340.6	318.0	318.6
Changes from Cmnd. 7841 revalued									
Cmnd. 7841 revalued	—	—	+0.2	—	-7.1	+0.1	—	—	—
Revised economic assumptions									
Reduced requirements not included in the baseline:									
Cash limits squeeze in 1980-81:									
Civil service manpower and related expenditure						-1.9	-1.9	-1.9	-1.9
Other items						-7.9	—	—	—
Other reduced requirements						—	—	—	—
Total						-9.8	-1.9	-1.9	-1.9
Additional bids									
Minor works and repairs and maintenance							10.0	10.0	10.0
Offsetting savings							—	—	—
Total							10.0	10.0	10.0
Options for reductions									
New works and running costs							-6.8	-9.6	-9.6
Total							-6.8	-9.6	-9.6

Introduction

1. About 90 per cent of expenditure is on offices and storage. The remainder is maintenance, minor works and some other services for courts, special hospitals and other specialised accommodation. Nearly 90 per cent of the total is current expenditure; the proportion spent on fuel etc has been rising because of changes in relative prices.

Implications of the baseline figures

2. The baseline represents overall a very substantial reduction on the 1979 PES baseline, adjusted for policy changes on dispersal etc. The size of the cuts in percentage terms is as follows:

	1981-82 % cut	1982-83 % cut	1983-84 % cut
Major new works	49	61	54
Minor new works	29	35	35
Repairs and maintenance	10	16	16
Furniture and equipment	57	66	60
Rents	9	9	10

A large part of the expenditure is committed and cannot be significantly reduced in the short term—work in progress under existing contracts, rent payable under existing leases, fuel and utilities for existing buildings, provision for basic upkeep and repair of the estate including landlords' charges. The percentage cuts shown embody all the room for

manoeuvre available. The critical problems therefore arise on new works.

3. Only about two-thirds of the known high-priority major new works projects can be financed from the provision now in the programme; and on past experience other urgent work will be identified and need to be carried out before the end of the period. Within the present provision it is expected that priority will be given to urgent defence, security and computerisation projects, rather than to other operational requirements or improvements and relief of overcrowding. Discussions have been held on how far departments can make funds available to PSA to carry out more schemes, some transfers have already been agreed and a combination of transfers and re-arrangement of planned starts should enable the most essential work so far identified to proceed within the survey period. Similar priorities will apply to minor new works and there will be virtually no funds available after 1980-81 for works related to energy conservation and rationalisation of the estate.

4. The furniture and equipment provision represents a reduction of about 35 per cent on the 1979-80 outturn. Much of the remaining provision will be needed for fitting out courts and other new building projects, leaving little in the survey period for normal replacement of worn out or obsolete items. If continued at the current level, the provision, even if spent wholly on replacement, would require items of furniture to last for over 40 years.

5. Rents, maintenance and running costs are due to be further reduced by £23 million by 1983-84. Savings from civil service manpower cuts will of course lead to reductions in the size of the office estate, but economies will only occur when it becomes feasible to give up disposable blocks of leased accommodation, or sell off Crown-owned buildings. And allowance must be made for the time and cost involved in regrouping staff to produce units of space that can be reallocated or disposed of. Some further savings may be possible on energy from more efficient plant operation although the best opportunities have already been taken and allowed for in the figures. On maintenance, most avoidable work including decoration has already been stopped, and it will be necessary to postpone major repairs and renewals of services like

lifts, heating and air-conditioning plant and structural items like roofs. There will be some risk of failures of services; the existing backlog of work, if not overcome, means that some buildings may become unusable, whilst many will show signs of dilapidation. Owners of leased buildings (60 per cent of the office estate) may not be prepared to tolerate default on repairing obligations. The fuel provision may prove inadequate, particularly given a severe winter, and if existing minimum heating standards are to be maintained, cuts would have to be made elsewhere.

6. In addition to the cost of the office programme, "departmental administration" covers the design of new specialised buildings funded by other programmes. The provision for consultants' fees is currently insufficient to cover all projects now planned. Amongst work which is likely to be held up in the absence of extra provision is the programme to start two new prison buildings in each year.

7. The conclusion is that the cuts that have been made in this programme have resulted in a situation where the operational needs of departments may not be adequately met and where the government office estate and other specialised buildings may no longer be properly kept up and repaired. There will be considerable difficulties in rationalising the estate and disposing of surplus properties as the size of the civil service is reduced, and there will be no funds for energy-saving measures requiring capital investment.

Option cuts

8. Further cuts on current expenditure would involve cuts on maintenance more severe than those already required, with increased risks of buildings becoming unserviceable and, probably, non-compliance with standards laid down in statutory requirements. It is unrealistic to contemplate cuts on these items, or any further reductions in furniture and equipment. Small savings might be found on transport and custody services but in practice the bulk of any cut would have to fall on new works involving possibly the cancellation of one-third of all remaining major new works. This would leave barely enough money

to undertake major items of the highest operational priority such as computerisation of PAYE and DHSS work, and some essential work on regional and local offices including relief of overcrowding for Departments like DHSS, Customs and Excise, MAFF and Employment could not be funded.

9. Thus the overall effect of the option cuts would be increased failure to meet operational needs. By the end of the survey period difficulties would become more acute as repair or replacement of buildings, furniture, equipment, electrical services etc could no longer be deferred whilst dilapidation payments to landlords got larger, and work could only be financed at the expense of the remaining new works projects.

Additional bid

10. It is clear from the assessment in paragraphs 5-7 above that the provision for repairs, maintenance and minor works is inadequate. It may be possible to hold the position at this level temporarily but by the later years of the survey period the effect on the operational needs of departments and on the fabric of the estate could prove increasingly serious. Allowing for reductions in staff and in the size of the estate, a provision of £10 million in each of the years of the period would go some way towards offsetting the worst effects, and an additional bid is made for this purpose. In the Treasury view however the totality of the existing provision for capital and current expenditure should be sufficient to meet requirements.

16. Department of Environment — Other

TABLE 16

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Regional water authorities	782.6	722.5	604.6	575.5	495.9	538.9	534.3	521.0	521.0
British Waterways Board	14.3	15.1	16.8	20.1	22.9	21.9	21.0	21.0	21.0
Others	0.1	0.1	0.1	0.1	0.3	0.7	0.7	0.7	0.7
Total	797.0	737.7	621.5	595.7	519.1	561.5	556.0	542.7	542.7
Improvement of the environment and local facilities	2,293.2	2,050.1	2,071.9	2,071.3	2,011.4	1,832.6	1,737.9	1,657.6	1,644.0
Urban programme	6.8	8.0	9.9	59.0	84.3	140.7	158.5	164.0	164.0
Total	2,300.0	2,058.1	2,081.8	2,130.3	2,095.7	1,973.3	1,896.4	1,821.6	1,808.0
Royal palaces and royal parks	11.5	11.2	10.8	10.7	11.4	12.4	12.4	12.4	12.4
Historical buildings and ancient monuments	16.0	15.1	14.4	16.3	17.4	20.8	20.4	21.6	21.6
The heritage	0.6	2.0	2.0	1.5	2.7	6.1	2.0	2.7	2.8
Central and miscellaneous environmental services	136.8	125.8	121.2	129.8	119.0	130.5	123.5	120.8	120.2
Community and ownership of development land	—	32.9	20.1	25.7	-2.8	—	—	—	—
Total	3,261.9	2,982.8	2,871.8	2,910.0	2,762.5	2,704.6	2,610.7	2,521.8	2,507.7
Regional and general industrial support	7.8	9.3	8.8	13.5	16.1	17.1	12.1	12.1	12.1
Roads and transport administration ⁽¹⁾	11.8	11.3	11.0	12.5	12.1	14.2	15.2	14.8	14.3
Licensing and testing schemes ⁽¹⁾	9.7	8.8	8.3	6.8	5.8	6.4	6.4	6.1	6.0
Tax and rate collection	91.5	88.2	93.4	90.2	101.2	96.2	94.9	96.2	96.2
Departmental administration and miscellaneous services	14.4	12.5	12.5	9.9	12.3	17.0	17.5	17.2	17.2
Total	135.2	130.1	134.0	132.9	147.5	150.9	146.1	146.4	145.8
Grand Total	3,397.1	3,112.9	3,005.8	3,042.9	2,910.0	2,855.5	2,756.8	2,668.2	2,653.5
Changes from Cmnd. 7841 revalued	—	-0.1	40.2	-5.1	+13.5	—	-0.8	—	—
Cmnd. 7841 revalued	3,397.1	3,113.0	3,005.6	3,048.0	2,896.5	2,855.5	2,757.6	2,668.2	2,653.5
Revised economic assumptions	—	—	—	—	—	—	—	—	—
Reduced requirements not included in the baseline:									
Cash limits squeeze in 1980-81:									
Civil service manpower and related expenditure									
(i) Central administration						-1.1	-1.1	-1.1	-1.1
(ii) Environmental bodies						-0.2	-0.2	-0.2	-0.2
Other items									
(i) Water services						25.0	—	—	—
(ii) Derelict land						-1.0	—	—	—
(iii) Coast protection						-0.4	—	—	—
(iv) Urban programme						-2.5	—	—	—
(v) Environmental research						-0.2	—	—	—
(vi) Royal palaces and parks						-0.1	—	—	—
(vii) Historic buildings and ancient monuments						-0.1	—	—	—
Other reduced requirements						—	—	—	—
Total						-30.6	-1.3	-1.3	-1.3
Additional bids:									
(i) Derelict land							4.0	4.0	4.0
(ii) Coast protection							7.0	7.0	7.0
(iii) LES current							80.0	80.0	80.0
(iv) DOE administration (computers)							1.2	1.2	4.8
(v) Privatisation of Hydraulic Research Station							3.4	—	—
Offsetting savings									
(i) Full cost charging for planning applications							-20.0	-20.0	-20.0
Total (net)							-75.6	72.2	75.8
Options for reductions							-55.0	-79.0	-79.0

⁽¹⁾ Assessed contributions from Department of Transport towards common services and regional office staff.

Water services

1. The table below compares the capital expenditure proposals of the regional water authorities (RWAs) as proposed in 1980 annual plans with the Cmnd. 7841 baseline figures

	£ million at 1980 survey prices			
	1980-81	1981-82	1982-83	1983-84
Survey baseline	538.9	534.3	521.0	521.0
RWAs present plans	532.8	564.5	567.4	570.8
Difference	-6.1	+30.2	+46.4	+49.8

The figures shown above for RWAs present plans understate the level of expenditure the RWAs would like to plan for. Some authorities have shown what they think is "realistically available" rather than what they consider to be the real need.

2. In this programme the Government's priorities are to meet urgent public health needs, new industrial development and new housing, while maintaining the general standard of service. The level of expenditure provided in Cmnd. 7841 was considered the absolute minimum necessary in the short term to maintain the system and in general to meet these priorities. The possibility was recognised that additional expenditure on the renewal of sewers and water mains might be required towards the end of the period.

3. Despite searching in-house appraisals by water authorities (for example Wessex have reduced their programme by 30 per cent), their 1980 plans in aggregate show a higher level of planned expenditure from 1981-82 reflecting their assessment of the minimum investment requirements to preserve and replace their asset stock, to provide for increased demand from existing consumers, to provide the necessary infrastructure for firm proposals for new development and to prevent or minimise deterioration in river water quality. Their programmes include provision for progress towards meeting the requirements of EEC Directives (e.g. on the quality of bathing waters) and for some improvement in the reliability and quality of piped water supplies.

4. The cash limit squeeze in 1979-80 forced the water authorities to cut back in letting new contracts so that, whilst they kept just within the cash limit, the latest estimate of volume expenditure shows a shortfall of some £35 million. For

1980-81, the revaluation factor used to determine the cash limit now looks to be too low, whilst in addition authorities budgeted down to keep within the limit. The effect of these two factors is that another severe volume squeeze is now possible for 1980-81. The effects will be that water authorities' expenditure plans will not be achieved in survey price terms for these two years.

5. Water authority bids rise to about 9 per cent above baseline in 1983-84. Within their bids some 40 per cent is attributable to maintaining the system, 47 per cent to meeting increased demands (by existing consumers and arising from new development) and 13 per cent to improvement (first-time services to existing properties, reduction of pollution etc). It should be stressed however that in general there are no schemes which will be wholly for improvement purposes.

6. In the judgement of the water industry, further reductions in the baseline will lead to progressive deterioration in river water quality and other services with increasing malfunctions and progressive consumer unrest. The Department's view is that the baseline should be maintained for these reasons. In the extreme a reduction to a level of about £520m per year in 1981-82 is the lowest level which in the Department's view the industry could tolerate and some increase over this figure may be necessary at the end of the survey period.

British Waterways Board

7. The Board receives grants which enable it to meet its deficit on revenue account, and to bring up to modern standards road bridges over its waterways (Bridgeguard). The level of grant has been constrained for many years and a backlog of maintenance work on the waterways exists. Additional grant was provided from 1978-79 to enable the Board to make some progress in catching up with arrears. Delay in tackling this backlog carries with it the risk that additional costs will eventually be incurred, as well as increasing the risks to public safety. Conservation interests represent an obstacle to reducing the maintenance load by closing the waterways. The planned provision for the years 1981-82 to 1983-84 will not allow the Board to make any significant inroads into the backlog of maintenance work while further reductions in grant level would exacerbate the problem.

Local environmental services capital

£ million at 1980 survey prices

	1975/76 Final outturn	1978/79 Final outturn	1979/80 Estimated outturn	1980/81	1981/82 PESC provisions	1982/83	1983/84
Town and country planning	192.0	101.0	43.5	70.0	64.6	55.8	55.8
Sanitation	149.3	96.9	89.2	70.8	65.1	56.5	56.5
Other local services	130.2	75.5	84.6	50.5	46.1	39.8	39.8
Administration	129.9	87.8	65.2	62.1	57.3	55.2	55.2
Refuse collection/disposal	64.9	43.3	41.8	48.1	46.1	37.9	37.9
Total LES/LDS	666.3	404.5	324.3	301.5	279.2	245.2	245.2
As % of 1975/76	(100)	(60.7)	(48.7)	(43.8)	(41.9)	(36.8)	(36.8)
Water and land reclamation	18.0	25.7	24.0	26.8	26.8	26.8	26.8
Water protection	10.1	10.0	9.3	8.4	8.4	8.4	8.4
Total LES	694.4	440.2	357.6	336.7	314.4	280.4	280.4
As % of 1975/76	(100)	(63.4)	(51.5)	(48.5)	(45.3)	(40.4)	(40.4)

Local environmental services (LES)

This group of mainly local authority services comprises refuse collection and disposal, provision of parks and recreational facilities, administration, libraries and services, environmental health, activities under the town and country planning powers; and a miscellany of other services. The forecast of local authority current expenditure is subject to consultation with the Consultative Council on Local Government Finance.

Capital

Provision is made in the Local Government, Planning and Land (No 2) Bill to replace, from 1981-82, the present controls on local authorities' borrowing with a national cash limit on total local authority capital expenditure. Local authorities will then be free to make their own decisions on expenditure priorities between services. Capital expenditure on LES will fall within the all other services expenditure block for expenditure allocation purposes. Given the various flexibility arrangements, such as the use of capital receipts and 100 per cent virement between services and blocks, it is not expected that expenditure on LES will match the relevant PESC provisions, and it may be necessary in subsequent years to adjust the latter to fit emerging spending patterns. There can be no firm guarantee that the 1981-82 cash limit will be delivered, because experience is limited of the effect of the flexibility provisions, but since the scheme is under way the aggregate statutory control on capital expenditure should

make it possible to hold local authority capital expenditure as a whole within the national cash limit.

10. Local authorities' views on priorities and their ability to supplement borrowing approvals with revenue and capital fund finance (which have led to the new controls system) have resulted in recent years in substantial overspends against the PESC provisions for LES; around £200 million in 1977-78, £170 million in 1978-79, and £25 million-£27 million (estimated) in 1979-80 (1980 survey prices). The reduced overspend in 1979-80 reflects an increase of £94 million in the PESC provision for 1979-80 onwards. The locally determined sector borrowing allocation (which covers most LES capital expenditure) was reduced from £169 million in 1978-79 to £100 million in 1979-80 (outturn prices) and for 1980-81 remains stable in real terms at £115 million (outturn prices).

However, LES spending has, as the table above shows, been reduced substantially in recent years — by over 50 per cent in real terms between 1975-76 and 1979-80 — following successive reductions in the borrowing allocation.

11. The pressures of adjustment to the new control system may be particularly severe on the LES provision in view of the substantially reduced provision (in relation to current reduced spending levels) reflected in Cmnd. 7841. Given the need to

complete already committed projects and unavoidable spending on replacing refuse collection and disposal facilities (on public health grounds), services particularly liable to pressure would be parks and recreation (40 per cent reduction between 1975-76 and 1979-80), administration (50 per cent cut, 1975-76 to 1979-80), town and country planning and assistance to local industry (77 per cent cut in the same 4 years), and also trading services. Cmnd.7841 provides for further substantial cuts in all these services.

12. Coast protection and derelict land reclamation (which attract particularly high rates of government grant and borrowing for which is at present subject to specific control) will be included in the other services block for expenditure control purposes but grant will be paid only in respect of specifically approved schemes. After significant underspending since 1976-77, reflecting the delay to the build up of the programme following the capital moratorium of 1976-77, spending on derelict land reclamation in 1979-80 is expected to be close to the cash limit of £23.5 million (outturn prices). From 1981-82 there will be pressure for increased spending on this programme in accordance with the Government's policy of concentrating resources on industrial regeneration in run down urban and industrial areas. Specific assistance from within DOE programmes of some £2m per year throughout this period has already been agreed in connection with the closure of Consett Steelworks (scheduled for the late summer 1980).

13. Despite a substantial increase in the Coast Protection provision for 1978-79 and later years, it is becoming increasingly difficult to hold expenditure down to the levels of earlier years. Severe storm damage in successive winters has resulted in plans for extensive repairs and new works, and many of the new works, and many of the works constructed in the 1950s under the 1949 Coast Protection Act are now reaching the end of their useful lives.

14. The Department consider that an additional provision of £7 million a year is needed for essential coast protection work. They also take the view that an additional £4 million a year is necessary for derelict land clearance if other major schemes in accordance with this policy — in connection with steel closures at Corby and Scunthorpe, and schemes in the London Docklands and Hull and

Morpeth docks areas — are to go ahead as planned. This is necessary as a high proportion of 1981-82 resources are already committed to other existing reclamation projects. Where coast protection is concerned, the Treasury accept that unforeseen expenditure will be required as a result of storm damage, though in some cases this will no doubt obviate the need for replacement work which would otherwise have been necessary. It is less understandable why replacement works, the need for which must have been evident well in advance, should not be regarded as covered by existing provision. The Treasury doubt whether the estimate in relation to derelict land clearance takes adequate account of the probable reduction in demand consequent on the planned decrease over the period in the number of Assisted Areas where grant is paid at a rate of 100 per cent. It is also not clear why high levels of funds committed in 1981-82 should constitute a reason for making additional funds available in later years.

Current

15. LES services are provided and controlled locally. They account for about 13 per cent of total local authority current expenditure but about 70 per cent of that by non-metropolitan districts. Authorities are generally reluctant to reduce them, and tend to prefer alternatives if savings are unavoidable, e.g. increased efficiency or use of fees and charges. Government can help in exhortation and by legislating to extend charging or reduce duties. LES spending in recent years and as planned is shown in the table overleaf.

16. Cmnd. 7746 required local authorities to reduce their net current LES expenditure to 3 per cent below that provided for in 1979-80 and by a further 1 per cent in 1980-81. The target for 1981-82 is 2 per cent below that for 1980-81. Expenditure in 1979-80 is likely to be 4 per cent above the revised target. For 1980-81 local authorities' LES budgets will probably be at least 5 per cent above the target.

17. The figures planned for this programme in Cmnd.7841 for 1980-81 and later years show steep reductions. These partly flow from policy changes that have already been announced, and partly from the general squeeze on local authority current expenditure.

LES Current

£ million at 1980 survey prices

	1975/76 Final outturn	1978/79 Final outturn	1979/80 Estimated outturn	1980/81	1981/82	1982/83	1983/84
					PESC provisions		
Town and country planning	189.1	195.4	196.9	124.7	84.1	83.7	83.7
Recreation	337.2	345.9	366.3	348.4	332.1	322.3	322.3
Other local services	420.1	429.0	419.4	380.1	387.0	381.6	381.6
Administration	192.5	184.7	185.5	189.8	169.1	146.0	132.8
Refuse collection/disposal	383.3	396.1	421.2	420.2	426.2	422.5	422.5
Total LES	1,522.2	1,551.1	1,589.3	1,463.2	1,398.5	1,356.1	1,342.9
Grants/OPCS/MAFF	106	100.0	114.0	112	111	112	112

11. On town and country planning the planned outturn reduces from an estimated outturn of £196.9 million in 1979-80 to £124.7 million in 1980-81 and £84 million in the 3 later years. This reduction takes account of the introduction of charges for building regulations works which should yield £38 million in 1980-81 and £45 million in subsequent years; charges for planning applications which should yield £30 million in a full year; and planning control relaxations, which should yield £5 million in a full year. Full year savings on the planning items will not however be achieved in 1980-81 because legislation will not be implemented for the full period. The further reduction of £58 million by 1981-82 will depend on administrative savings by local authorities.

12. The reductions planned on recreation and other local services will depend on local authorities achieving lower standards (closing facilities or shorter hours) or more charging and improved productivity. The steep savings planned on administration will require very vigorous action by local authorities to eliminate tasks and to prune manpower.

13. First indications from the RER returns for 1980-81 suggest that local authorities will not be achieving the reduced targets planned for that year. This must cast some doubt on the realism of the reduced figure for later years. In the absence of any further agreed policy changes to bring expenditure down (e.g. charging for domestic refuse collection (see para. 22) and charging the full economic cost for planning applications, the present provision for this programme in 1981-82 in later years is unrealistic. Outturns for recent years and the RER returns for 1980-81 suggest the authorities are

likely to spend about 5-6% above the provision. This suggests that there may be a need for an additional bid of about £80 million for 1981-82 and slightly less for the later years. But this figure should be looked at again in the light of action Ministers may decide to take to reduce the planned volume excess (as revealed by the RER returns) of local authority expenditure as a whole.

Options for reductions

21. Further savings in recreation, refuse and environmental health services require a combination of lower standards (e.g. less frequent street cleaning and maintenance), closing facilities or shorter opening, more charging and improved productivity. Most options would imply reduced manpower.

22. Major savings could be made through charging for domestic refuse collection (by authorities or contractors) amounting in total to perhaps £200-£250 million a year. Charging would require main legislation and would be widely unpopular. Further savings of about £20 million could be made by charging the full cost for planning applications, but this would mean a reversal of the $\frac{1}{3}$ average charge which has already been publicly announced.

23. The range of statutory powers and duties, including powers to charge, is now under review, but potential LES savings would probably be relatively small, even assuming legislation were obtained. The review is not complete, but is unlikely to recommend significant extensions to charging or reductions in duties. The sensitivity of LES issues is illustrated by the recent decision by Ministers not to introduce charges for trade refuse collection under control of pollution powers.

The Urban programme

24. The Urban Programme is a rolling programme which gives rise to continuous build-up of ongoing commitments, mainly from current expenditure projects (which account for 20-25 per cent of all expenditure each year), but also from phased capital projects. 1979-80 was the first full year of the "expanded" Urban Programme (involving partnership and programme authority arrangements and agreed 3 year Inner Areas Programmes). Spending on new schemes did not build up as expected and as there was relatively little carry-over from the previous year, the programme in 1979-80 is expected to underspend by around £38 million against the cash limit of £173 million (i.e. an underspend of 22%).

25. However, the increase of expenditure in 1979-80 over previous years implies a high level of committed expenditure in 1980-81 and following years, with the result that the proportion of the PESC provision available for new projects will decline from about 44 per cent in 1980-81 to 28 per cent in 1983-84.

26. The national allocation of the Urban Programme is shown in the table below.

27. A notional allocation of £37 million per annum (at 1980 Survey Prices) for the new urban development corporations in London Docklands and Merseyside is at present included in the Urban

Programme figures for the last 3 years. This figure was identified in inter-Departmental discussion last summer. It was the best estimate that could be made at that time of the additional public expenditure costs to be incurred by the UDC's. They will in addition take over some resources from existing programmes to an extent depending on final decisions about the scope of UDC powers. It will not be possible to determine more precise requirements until the Corporations have done further work and until the basis for transfer of assets to the Corporations has been established. However it is unlikely that the present provision could contain both the continuation of the existing policies implied in the Urban Programme figures and provision for the UDC's which will be required from 1981-82 onwards; and it could well be that UDC's in particular will require provision for greater investment. For 1981-82 more precise requirements will need to be identified during the summer. The Treasury deplores the absence of any more specific indications of the public expenditure implications of a new programme commencing in 1981-82 and will actively be pursuing with DOE the early establishment of financial guidelines within which UDCs should contain their plans.

New towns industrial and commercial

28. Investment in this programme is largely in land and site preparation for industrial and commercial investment and amenities.

Urban programme (England)
Cmnd. 7841 revalued to 1980 Survey Prices

	£ million at 1980 survey prices						
	1977/78	1978/79	1979/80	1980/81	1981/82	1982/83	1983/84
Other environmental services	10.0	57.2	84.3	114.9	132.7	138.2	138.2
Contingency Reserve element	—	—	—	25.8	25.8	25.8	25.8
Total	10.0	57.2	84.3	*†140.7	*†158.5	*†164.0	*†164.0
Housing	1.8	17.1	10.6	—	—	—	—
Education	—	—	—	22.9	22.8	22.9	22.9
Health	—	—	—	1.7	1.7	1.7	1.7
PSS	11.3	12.8	21.9	12.8	12.8	12.8	12.8
Total health and PSS	11.3	12.8	21.9	14.5	14.5	14.5	14.5
Transport	1.2	7.7	15.5	7.2	7.2	5.1	5.1
Total urban programme				185.3	203.0	206.5	206.5

* Includes £30m (at 1979 survey prices) provisionally allocated to UDCs.

† Also includes a Contingency reserve of £25.8m to be allocated to other Departments.

Gross investment planned is:

				£ million
1980-81	1981-82	1982-83	1983-84	
97.0	90.9	84.6	78.3	

This investment will be largely supported by receipts from the disposal of assets to produce a net PESC requirement of:

32.7	25.0	21.1	20.7
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29. In addition the 1980-81 target for receipts from the special sale of industrial and commercial undertakings in the English new towns is some £232.5 million, including the shortfall of some £85 million in receipts from special disposals in 1979-80. Disposal of assets on this scale will in due course increase the already rising scale of non-housing revenue deficits of the new towns and the question of new town finances is now under consideration.

Royal palaces and royal parks

Implications of the survey figures

30. After a reduction of £0.1 million in each year from 1980-81 onwards made last year provision for both royal palaces and royal parks remains at a constant level (£12.4 million) reflecting the need to maintain present standards. Total provision is divided roughly 40:60 between palaces and parks. The figures take account of the agreed transfer (£0.4 million in each year from 1980-81) of responsibility for the Palace of Holyrood House to the Secretary of State for Scotland.

Options for reductions

31. Reductions could be achieved by deferring some minor new works and reducing the amount available for maintenance. Whilst in each year these reductions would not create any major problems, the cumulative effect of a series of such relatively small reductions could result in the build up over a number of years of a substantial backlog of maintenance work.

Historic buildings and ancient monuments

Implications of the survey figures

32. The baseline for 1980-81 includes £6.1m for the initial grant for the National Heritage Memorial Fund and the acquisition of property

accepted in lieu of tax, following the winding up of the National Land Fund. After a reduction of £0.8 million in the provision for 1981-82 planned expenditure on these services in the last three years of the survey is £2.0 million, £2.7 million and £2.8 million. Planned expenditure on Historic Buildings and Ancient Monuments increases from £20.4 million in 1981-82 to £21.6 million in 1982-83 and 1983-84, fairly evenly divided between the two services, and includes £2.5 million in each year for repair grants to historic churches in use.

Central and miscellaneous environmental services

33. This covers expenditure on departmental administration, excluding manpower related costs embraced by other programmes (Defence, Housing, the Transport and PSA elements of Common services), and on environmental research (which includes figures for the department's research establishments) and for environmental bodies, e.g. the Sports Council, the Nature Conservancy Council and a number of other minor items.

34. The reductions applied in the previous survey have been included in the various programmes which include manpower related costs.

Administration

35. The figures shown for this programme for 1980-81 onwards include transfer of provisions for computers from the Central Computer and Telecommunications Agency (CCTA), and for HMSO supplies from HMSO.

Additional bids

36. The provision transferred from CCTA fell short of the foreseen needs of the Department and took no account of certain major replacements of the main frame computers which fall due in 1983-84. Additional bids, which include elements attributable to PSA and DTP are required:

1981-82	1982-83	1983-84
£1.2m	£1.2m	£4.8m

Options for reductions

37. The options for reductions for the 1980 survey for this programme would need to be considered as part of the continuing review of the scope for civil service manpower reductions. See Treasury observations at paras 42-49.

Environmental research

38. A 2 per cent reduction in 1981-82 would amount to £0.7 million, and 3 per cent in subsequent years would amount to £1 million. Cuts of £7.1 million (22 per cent) in 1981-82 and £9.4 million (29 per cent) in subsequent years were applied in the previous survey to the total provision, other than that for radioactive waste management research. A further 2 per cent reduction in 1981-82 would drastically reduce the already limited capacity for new work, and a 3 per cent reduction in subsequent years would need to be applied to a programme already reduced to a level at which adequate research support for the Department will be difficult to maintain.

Additional bids

39. The privatisation of the Hydraulics Research Station is under consideration. This would involve the transfer of public sector assets to the new organisation, the provision of a capital base to launch it as a going concern, and the transfer of accrued pension rights. The Treasury do not feel that this proposal has been satisfactorily worked out and do not consider an additional bid for this purpose should be entertained in the absence of a much stronger case than has so far been made out.

Environmental bodies

40. Reduction at the level proposed would be disruptive to some services concerned but not impossible given a need for some general retrenchment.

Development Commission

41. As a result of the recent White Paper review the Development Commission's allocation has been cut by £5 million (from £15 million to £10 million at 1979 Survey prices) for 1981/82 and later years. This will involve a substantial reduction in the Commission's factory building programme and COSIRA's credit services to small industries in rural areas. It is hoped that private capital will be available to fill at least part of the gap.

Treasury observations

42. The Department has not identified specific options for the savings required to achieve reductions of 2 per cent for 1981-82 and 3 per cent for later years. It has suggested for the moment that option savings should be considered on a flat-rate basis. The Treasury regards this approach as

unsatisfactory. It would, for example, imply that the largest absolute saving within the block would come from LES current expenditure. In the light of the Department's own observations in para. 20, this is plainly unrealistic.

43. Reductions of the order required to be illustrated would imply the following savings:

	£ million at 1980 survey prices		
	1981-82	1982-83	1983-84
Total block	55.0	79.0	78.0

44. The implementation of the saving identified in para. 22 above, excluding charging for domestic refuse collection, which is not considered realistic, would save:

Full cost charging for planning applications	20.0	20.0	20.0
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45. Para. 5 indicates that provision for water authority capital expenditure contains elements for improvement and for meeting increased demand as well as for maintaining the system. There would thus seem to be some scope for reducing expenditure without seriously impairing existing levels of service (which are themselves superior to those in most other EC countries); particularly in the light of underspending in the last two years. The Department concedes in para. 6 that in the extreme, spending at a level of £520 million a year would be sustainable, giving a reduction of just over £10 million in 1981/82 and £1 million thereafter. Given the lower level of commitment in forward years, reductions beyond those already envisaged do not seem unthinkable, though a declining level of service would have to be accepted. Savings might be:

Water authorities	14.0	16.0	16.0
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46. Provision for local environmental services capital (excluding derelict land and coast protection) has already been severely cut back and is traditionally overspent. However the new capital controls system should ensure that any overspending on this sub-programme does not result in global capital overspending. It does not seem unreasonable for the Government to look at LES current and capital expenditure together, and to seek to

back total expenditure through applying the controls which exist in relation to capital. The following savings might be considered:

£ million at 1980 survey prices

	1981-82	1982-83	1983-84
LES capital — other than deficit land and coast protection	5.0	17.0	17.0

47. The Urban Programme has been substantially overspent every year since its inception. While the creation of UDCs will undoubtedly cause increased demand within this programme, it is questionable whether the total programme could, at a time of cutbacks, be maintained on a profile which has consistently proved over-ambitious so far. Provision from 1981-82 on for the DOE part of the programme is between 50 per cent and 100 per cent more than in 1979-80, depending on the allocation of the Urban programme "Contingency reserve".

Savings might be considered as follows:

Urban programme	10.0	15.0	15.0
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48. This would leave to be found to meet the target in para 43:

Shortfall	6.0	11.0	11.0
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which might be met through limited reductions in small programmes as follows:

Administration (DOE & PSA)	1.1	2.3	2.3
Environmental research (DOE & PSA)	1.5	4.0	4.0
Central environmental services	1.0	3.0	3.0
New towns, ind. & comm.	2.0	1.0	1.0
Historic buildings, ancient monuments and the heritage	0.4	0.7	0.7

49. In the light of the foregoing, the Treasury considers that option cuts of the order required to be illustrated could if necessary be achieved broadly on the pattern outlined above, and notes that even should the block as a whole be maintained around the levels planned at present there could be scope to offset at least a substantial part of the expected overspending on LES current (para 20) from other parts of the block by making savings of the kind illustrated.

17. Home Office

TABLE 17

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
<i>Administration of justice</i>									
<i>Court services, etc.</i>									
Capital	18.7	16.8	12.8	8.9	6.5	7.9	14.9	19.6	23.4
Current ⁽¹⁾	81.8	85.9	85.2	91.0	96.7	105.9	109.8	113.2	118.1
Sub Total	100.5	102.7	98.0	99.9	103.2	113.8	124.7	132.8	141.5
Revenue from fees and fines in magistrates courts	-62.1	-69.9	-78.1	-68.8	-85.9	-90.8	-93.7	-94.0	-97.0
Total	38.4	32.8	19.9	31.1	17.3	23.0	31.0	38.8	44.5
<i>Treatment of offenders</i>									
<i>Prisons</i>									
Capital	50.4	46.0	39.0	31.6	24.2	28.9	33.3	40.5	44.2
Current	240.9	242.7	247.6	261.2	273.4	278.4	281.8	283.4	288.6
<i>Probation and after-care</i>									
Capital	5.2	5.6	3.8	2.3	1.4	1.8	2.7	3.5	3.7
Current	72.3	77.9	79.8	82.7	86.5	92.6	96.0	97.6	99.0
Total	368.8	372.2	370.2	377.8	385.5	401.7	413.8	425.0	427.5
<i>General protective services</i>									
<i>Police</i>									
Capital	64.0	54.3	44.4	34.6	32.9	46.2	54.7	62.1	62.1
Current	1,390.4	1,457.6	1,448.9	1,428.9	1,506.2	1,562.9	1,597.7	1,625.3	1,640.4
<i>Fire</i>									
Capital	15.7	13.6	12.8	11.9	8.7	8.5	8.5	8.5	8.3
Current	360.9	374.5	346.0	374.7	378.4	393.3	379.2	379.4	378.1
<i>Other</i>									
Capital	14.8	13.0	8.8	13.0	11.2	19.6	19.1	22.7	23.3
Current	6.6	6.2	6.1	4.1	7.6	9.5	10.1	10.1	10.2
Total	1,852.4	1,919.2	1,867.0	1,867.2	1,945.0	2,040.0	2,069.3	2,108.1	2,123.2
<i>Civil defence</i>									
Capital	1.6	2.0	1.2	0.8	1.4	2.3	4.8	4.8	4.4
Current	10.2	10.2	8.7	9.0	9.6	9.8	10.2	10.2	10.2
Total	11.8	12.2	9.9	9.8	11.0	12.1	15.0	15.0	14.6
<i>Community services</i>									
Capital	0.2	0.3	0.3	0.3	0.1	0.2	0.3	0.3	0.1
Current	11.7	12.7	14.3	15.4	20.1	22.7	18.7	17.6	18.4
Total	11.9	13.0	14.6	15.7	20.2	22.9	19.0	17.9	18.5
<i>Central and miscellaneous services</i>									
Capital	4.5	2.2	1.5	1.5	1.1	1.2	3.3	1.1	1.4
Current	69.9	67.2	69.2	67.9	70.1	71.0	72.0	71.6	71.6
<i>Civil emergencies</i>									
Capital	0.2	-	-	-	-	-	-	-	-
Total	74.6	69.4	70.7	69.4	71.2	72.2	75.3	72.7	73.0
Grand Total	2,357.9	2,418.8	2,352.3	2,371.0	2,450.2	2,571.9	2,623.4	2,677.5	2,707.7
Changes from Cmd. 7841 revalued	-0.3	-	+0.1	-9.6	-25.2	-	-	-	-
Cmd. 7841 revalued	2,358.2	2,418.8	2,352.2	2,380.6	2,475.4	2,571.9	2,623.4	2,677.5	2,707.7

TABLE 17 (continued)

£ million at 1980 survey prices

	1980-81	1981-82	1982-83	1983-84
Revised economic assumptions	-	-	-	-
Reduced requirements not included in the baseline:				
Cash limits squeeze in 1980-81:				
Civil service manpower and related expenditure	-2.0	-2.0	-2.0	-2.0
Other items	-6.0	-	-	-
Other reduced requirements	-	-	-	-
Total	-8.0	-2.0	-2.0	-2.0
Additional bids:				
Prisons		5.5	4.1	9.2
Offsetting savings		-	-	-
Total		5.5	4.1	9.2
Options for reductions				
(i) Police — hold establishment to Cmnd. 7841 level		-	-5.0	-14.0
(ii) probation — curtail rate of growth or cut establishment growth		-5.0	-5.0	-5.0
(iii) Building programmes — curtail growth:				
(a) Magistrates courts		-7.0	-11.0	-11.0
(b) Police		-8.0	-15.0	-10.0
(c) Prisons		-1.0	-6.0	-3.0
(d) Prison starts — second new prison		-	-	-3.0
(iv) Abolition of the Equal Opportunities Commission and the Commission for Racial Equality		-8.0	-8.0	-8.0
(v) Extend cash limit squeeze across the survey.		-6.0	-6.0	-6.0
(vi) Fire cover — more restrictive attitude on minimum standards		-16.0	-18.0	-20.0
(vii) Increase threshold for payments by Criminal Injuries Compensation Board		-1.0	-1.0	-1.0
Total		-52.0	-75.0	-81.0

Responsibility for criminal legal aid and Crown prosecutions was transferred to the Lord Chancellor on 1st July 1980, and consequently the PESC provision over the years has been transferred to the Lord Chancellor's Department.

1. Over 80 per cent of the total programme is expenditure on law and order services. About three-quarters of this is current expenditure incurred initially by local authorities on the police, magistrates' courts and probation services, to which the Government contribute by way of specific grants and rate support grant. Virtually all of the central Government's direct expenditure, which is mainly on staff, is subject to cash limits.

2. The other main services of the programme relate to fire, civil defence, the development of good community relations and voluntary services.

3. Implications of survey figures

The survey baseline consists of the following elements (adjusted for the transfer in of HMSO services and the transfer out to the Lord

Chancellor's Department of certain Administration of Justice expenditure):

	£ million			
	1980-81	1981-82	1982-83	1983-84
Administration of Justice	23	31	39	45
Treatment of offenders	402	414	425	428
General protective services	2,040	2,069	2,108	2,128
Civil defence	12	15	15	15
Community services	23	19	18	17
Central and miscellaneous	72	75	73	75
Total (baseline)*	2,572	2,623	2,678	2,708

Apart from the police services (see paras. 8 & 9 below) there are no significant changes from the pattern of expenditure envisaged in Cmnd. 7841, where law and order was given priority.

*Note: Includes PSA expenditure attributed to Home Office services etc.

4. The effect of cash limits in reducing the volume of Home Office expenditure is as follows:—

	£million			
	1980-81	1981-82	1982-83	1983-84
Pay	2	2	2	2
Other	6	—	—	—
	8	2	2	2

5. Administration of justice

In 1978, the number of defendants proceeded against for indictable offences in magistrates' courts was similar to the number in 1977 and the number proceeded against for non-indictable offences fell by about 4 per cent but it is as yet too early to say whether this variation constitutes sufficient evidence to revise previous assessments of the need for the present planned increase in expenditure on magistrates' courts of 3 per cent a year. The baseline figures for capital cover the small number of major starts provided for in Cmnd. 7841 and restrictions will continue to be imposed on minor works schemes. This will mean no significant improvement either in the services provided by the magistrates' courts or in waiting time.

6. Treatment of offenders

Prisons

The daily average inmate population in 1979-80 was about 42,220 and is forecast to rise to about 43,500 in 1983-84 (or some 700 below the forecast in Cmnd. 7841). On any one day the population may vary from these figures by 1,000 or so: in March 1980 it rose to a peak of 44,800. The baseline provision for manpower is considered by the Home Office to be insufficient to maintain necessary standards of regime and control whilst meeting new commitments arising from the expansion of the courts and the increased number of prison places. The baseline figures for capital provision will allow completion of building schemes already in progress to provide 3,400 new or refurbished places, and for starts on two new prisons in each of the years 1981-82 onwards (this represents an addition of one start in 1983-84 over the planned programme in Cmnd. 7841). It is unlikely that overcrowding will be much reduced by this programme before the late 1980s.

7. Probation and after-care

There is provision for the number of probation officers (excluding about 600 officers working in prisons and other establishments and about 900

officers under training) to rise from 4,800 in 1979-80 to over 5,200 by March 1984; and for an increase from 1,418 to 1,627 places in adult probation and bail hostels, and for some expansion in other non-custodial forms of treatment. There is a small programme of new probation offices, as envisaged in Cmnd. 7841.

8. General protective services

Police

The policy of successive Governments (paragraph 2.9.20 of Cmnd. 7841) has been that, if the number of police officers exceeds the estimated growth provision will be made for the expenditure on additional manpower within authorised establishments, and essential associated expenditure on equipment, training and other support services. It is assumed that Ministers will continue this policy. Police recruitment remains high and wastage relatively low; as a result, growth has brought strength at 31st March 1980 to 114,600, or 1,000 above the figure in Cmnd. 7841. This growth is expected to continue and to reach 118,000 by 31 March 1981 and 122,000 by 31 March 1984 (2,000 above the Cmnd. 7841 forecast). Growth of this order represents, in the Home Office view, the minimum possible reflection of this aspect of the Government commitment to strengthen the law and order services.

9. The full cost of the additional police manpower and supporting goods and services covered by the caveat on recruitment, and assuming an increase of 2,500 in the authorised establishment of policemen by March 1984, is £40 million in 1981-82 rising to £41 million in 1983-84; of this £5 million in 1982-83 and £14 million in 1983-84 is to cover the expected increases in force establishments. But the effect of other estimating changes, mainly involving lower forecasts of police pensions, is that the additional cost can be met within the survey baseline figures.

10. There were 42,950 civilian staff employed on 31 March 1980, 1,050 below the strength assumed in Cmnd. 7841. Strength is likely to rise to 45,400 by 1983-84 (600 below the figure assumed in Cmnd. 7841).

11. The small programme of major schemes on capital expenditure will be contained within the levels of Cmnd. 7841.

12. Fire services

The programme for 1980-81 provides for existing levels of fire cover to be maintained. For the remaining years, the figures assume that the authorities will reduce their standard of fire cover

something nearer the recommended minimum; and that the recommended minimum standards will have been reviewed, as proposed in the Green Paper on Fire, resulting in further reductions by fire authorities. The capital expenditure figures allow for a small building programme and for necessary replacement of old appliances.

13. Civil defence

Provision has been increased above Cmnd. 7841 levels following the decision taken by Ministers in March to make some improvements in the level of UK preparedness. The additional expenditure has been met from within the baseline for other Home Office services. Studies are continuing into other aspects of civil defence and it is possible that these will lead to further proposals for expenditure which, if accepted, could not be accommodated within the baseline.

14. Community services

The programme allows for the Commission for Racial Equality and the Equal Opportunities Commission to continue at broadly their present levels of activity, and provides for the current programme for reception and resettlement of refugees from Vietnam.

15. Central and miscellaneous services

The baseline figures provide for a small increase in the numbers of staff operating immigration control.

16. Additional bids

There is an additional bid for expenditure on prisons mainly to meet the cost of 500 additional prison officers a year and to improve maintenance of existing buildings. This in part reflects the Home Office view that there is insufficient staff to maintain necessary standards of control and regime whilst meeting new commitments and in part reflects the initial assessment by the Home Office of Government's minimal response to the Report of the Inquiry under Mr Justice May.

£ million

1981-82	1982-83	1983-84
5.5	4.1	9.2

17. The Treasury and CSD note that the May Committee raised the question of the productivity of prison officers and doubted the efficiency of the allocation of manpower. Additional provision for another 500 prison officers a year would exacerbate cost problems, measured against the lower forecast average prison population.

18. Options for reductions

Reductions of 2 per cent in 1981-82 and 3 per cent in the later years would amount to about £52 million and £81 million respectively. The table below sets out a series of options which illustrate the action required to secure the relevant totals. While the ground rules for this survey do not acknowledge any priority programmes, the Home Office emphasise that to implement any option in the law and order sector—accounting for 80 per cent of total provision—would run counter to the commitments stated in Cmnd. 7841. The Home Office see no practical way of achieving savings in any of these manpower-intensive areas. As to the fire services, the achievement of savings over and above those already envisaged in Cmnd. 7841 would depend heavily upon decisions by local authorities.

£ million

Option	1981-82	1982-83	1983-84
1. Police: hold establishment to Cmnd. 7841	—	5	14
2. Probation: curtail rate of growth or cut establishment growth	5	5	5
3. Building programmes: curtail growth			
(a) Magistrates' courts	7	11	11
(b) Police	8	15	10
(c) Prisons	1	6	3
(d) Second prison start in 1983-84	—	—	3
4. Abolition of the Equal Opportunities Commission* and the Commission for Racial Equality*	2	2	2
5. Cash limit squeeze: extend across survey	6	6	6
6. Fire cover: more restrictive attitude on minimum standards	16	18	20
7. Increase threshold for payments by Criminal Injuries Compensation Board	1	1	1
	52	75	81

Notes

- (a) Items 1-3 and 7 and part of 5 fall in the law and order sector.
 (b) No option is offered on support for voluntary organisations in view of Government (Budget) recent assistance.
 (c) The options on the building programme could involve penalties on breach of contract.

*legislation required.

A number of the options would, in addition to undermining last year's priorities, be politically contentious.

18. Lord Chancellor's Department

TABLE 18

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Administration of justice									
Court services ⁽¹⁾	58.0	58.6	65.0	72.4	87.5	97.5	112.8	119.5	122.4
Legal aid	109.2	114.6	118.8	115.1	120.7	133.5	145.2	156.0	165.0
Other legal services	8.0	9.6	10.6	12.6	13.2	15.3	15.9	16.6	17.2
Total	176.8	182.8	194.4	200.1	221.4	246.3	273.9	292.1	305.0
Changes from Cmnd. 7841 revalued	—	—	-0.1	—	-3.8	-0.1	—	-1.2	—
Cmnd. 7841 revalued	176.8	182.8	194.5	200.1	225.2	246.4	273.9	293.3	305.0
Revised economic assumptions	—	—	—	—	—	—	—	—	—
Reduced requirements not included in the baseline:									
Cash limits squeeze in 1980-81:									
Civil service manpower and related expenditure	—	—	—	—	—	-0.2	-0.2	-0.2	-0.2
Other items	—	—	—	—	—	—	—	—	—
Other reduced requirements	—	—	—	—	—	—	—	—	—
Total						-0.2	-0.2	-0.2	-0.2
Additional bids									
(i) Criminal business	—	—	—	—	—	—	0.1	1.9	1.6
(ii) Legal aid	—	—	—	—	—	—	1.1	1.0	1.0
Offsetting savings									
(i) Court building programme	—	—	—	—	—	—	-1.5	-0.1	-0.3
(ii) Consolidated Fund (Judges salaries)	—	—	—	—	—	—	-0.2	-0.4	-0.6
(iii) Legal aid	—	—	—	—	—	—	-0.5	-2.9	-2.5
Total (net)							-1.1	-0.5	-0.8
Options for reductions									
Offsetting savings (as above)	—	—	—	—	—	—	-2.2	-3.4	-3.4
Other	—	—	—	—	—	—	-3.0	-5.0	-5.4
Total							-5.2	-8.4	-8.8

⁽¹⁾ Includes Property Services Agency (PSA) expenditure in the court building programme in Scotland.

1. The Lord Chancellor is responsible for capital and current expenditure on the higher courts in England and Wales, for legal aid in all civil cases and in criminal cases in the magistrates' courts; for legal advice and assistance, and for grants to certain law centres. He will take over responsibility for costs from central funds in criminal proceedings and legal aid for criminal cases in higher courts from 1 July 1980.

2. Current expenditure on civil business is almost entirely offset by court fees; and net expenditure on current account is therefore largely a reflection of the number of criminal cases coming forward for trial in the crown courts. Latest forecasts still

indicate a fairly steady increase of some 3 per cent a year in the number of committals in each year of the survey period. Despite some progress in the past year in tackling outstanding cases, there remains a substantial backlog, especially in the South East, where the length of time that defendants, either in custody or on bail, have to await trial remains at excessive levels. (By 1979 the average waiting time was 23 weeks in the South East and 30 weeks in London). For these reasons expenditure on criminal business is likely to rise above the baseline figures and accordingly an additional bid has been submitted. The expenditure forecasts for legal aid and advice and assistance also show an increase year by year; those for civil legal aid and advice and

assistance reflect the growth in the number of cases resulting from the improvements in conditions of eligibility introduced during 1979.

Additional bids

Additional expenditure is required on the LCD Vote for criminal business, covering an increase in staff costs, in the employment of part time judges, and on juror's and shorthand writers' expenses. This increase reflects a revised estimate of the number of courtrooms available through local adaptation schemes and the leasing of temporary premises. There is also an addition bid for legal aid in each of the three years of the survey period to cover legal aid for parents of children involved in care proceedings in magistrates' courts. This would bring into force certain provisions of the Children Act 1975 removing the anomaly in the legal aid scheme which has been strongly criticised as denying parents the opportunity to put their case where their parental capacity is in question and the court has power to remove the child from their care.

Offsetting savings

The offsetting savings arise from a small amount of slippage expected in the court building

programme, a reduction in the cost to the Consolidated Fund of judges salaries and a further downward revision of future expenditure following the removal of legal aid from undefended divorce cases and the latest assessment of the effect of the increases in eligibility for legal aid made last year. These more than cover the cost of the additional bids even after the cost of deducting the administrative costs of funds in court from the amount of interest paid into the Consolidated Fund has been covered.

Options for reductions

5. The further reductions required to provide the 2 per cent and 3 per cent options would fall on current expenditure in the higher courts, and on the court building programme. They would lead to increased delays in the hearing of cases in the Crown Court and growing backlogs throughout the period. Savings in legal aid would require fresh regulations. Any worsening of the conditions governing eligibility for legal aid and liability for contributions would be highly controversial, and would reverse the effect of recent changes designed broadly to restore to former levels the heavily eroded coverage and benefits of the legal aid scheme.

19. Department of Education and Science

TABLE 19

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Schools									
Under fives									
Capital	46.2	8.4	9.4	15.8	16.3	7.9	7.5	8.1	8.3
Current	155.5	168.1	201.7	170.4	192.0	175.7	169.7	166.3	168.1
Primary, secondary and other capital	538.0	519.5	404.5	329.0	304.7	255.6	220.4	185.7	165.2
Primary current	1,660.9	1,679.3	1,604.4	1,686.0	1,674.1	1,633.8	1,583.7	1,524.3	1,454.8
Secondary current	2,119.6	2,188.6	2,202.1	2,282.3	2,339.5	2,349.0	2,337.9	2,329.2	2,264.4
Other current	500.5	516.5	509.1	510.9	502.4	475.8	455.3	441.9	435.2
Meals	507.2	490.8	431.7	427.4	423.2	201.8	193.9	191.6	181.2
Milk	15.6	14.5	10.0	11.4	13.5	8.1	7.7	7.4	6.9
Total	5,543.5	5,585.7	5,372.9	5,433.2	5,465.7	5,107.7	4,976.1	4,854.5	4,684.1
Higher and further education									
Universities									
Capital	173.7	149.1	97.2	103.5	111.7	112.1	113.1	112.9	109.1
Current	867.7	869.7	740.8	760.1	760.0	751.8	740.1	722.3	710.5
Sub Total	1,041.4	1,018.8	838.0	863.6	871.7	863.9	853.2	835.2	820.6
Further education and teacher training									
Capital	110.7	94.9	78.5	71.5	60.9	75.6	67.7	53.8	53.1
Current	1,115.7	1,056.3	994.1	1,009.4	1,099.4	1,042.7	1,005.0	996.8	988.3
Sub total	1,226.4	1,151.2	1,072.6	1,080.9	1,160.3	1,118.3	1,072.7	1,050.6	1,041.4
Student awards	442.1	470.0	599.5	611.9	679.7	657.9	649.4	652.7	654.4
Total	2,709.9	2,640.0	2,510.1	2,556.4	2,711.7	2,640.1	2,575.3	2,538.5	2,200.5
Miscellaneous educational services, research and administration									
Youth services									
Capital	15.7	15.1	10.5	13.8	11.8	7.8	7.8	7.8	7.8
Current	80.4	79.8	79.4	82.7	89.2	83.1	83.4	83.4	83.4
Research and other services									
Current	20.9	19.9	18.6	20.4	21.4	22.9	26.3	25.8	26.2
Administration									
Capital	0.1	—	—	0.1	0.1	0.4	0.6	0.5	0.3
Current	334.0	321.0	310.0	320.9	324.1	318.1	311.4	312.3	312.0
Total	451.1	435.8	418.5	437.9	446.6	432.3	429.5	429.8	429.7
Total education									
Capital	884.4	787.0	600.1	533.7	505.5	459.4	417.1	368.8	343.8
Current	7,820.1	7,874.5	7,701.4	7,893.8	8,118.5	7,720.7	7,563.8	7,454.0	7,286.4
Total	8,704.5	8,661.5	8,301.5	8,427.5	8,624.0	8,180.1	7,980.9	7,822.8	7,630.2
Research councils, etc.	315.1	327.1	316.8	327.6	328.0	332.9	333.3	337.4	337.4
Total education and science									
Capital	931.1	840.1	648.0	593.0	568.8	512.9	466.8	419.1	394.1
Current	8,088.5	8,148.5	7,970.3	8,162.1	8,383.2	8,000.1	7,847.4	7,741.1	7,573.3
Grand Total	9,019.6	8,988.6	8,618.3	8,755.1	8,952.0	8,513.0	8,314.2	8,160.2	7,967.4
Changes from Cmnd. 7841 revalued	—	—	+0.1	—	+51.0	+0.1	-0.2	-0.1	-0.3
Cmnd. 7841 revalued	9,019.6	8,988.6	8,618.2	8,755.1	8,901.0	8,512.9	8,314.4	8,160.3	7,967.4

TABLE 19 (continued)

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Revised economic assumptions						-	-	-	-
Reduced requirements not included in the baseline:									
Cash limits squeeze in 1980-81:									
Civil service manpower and related expenditure ⁽¹⁾						-2.0	-2.0	-2.0	-2.0
Other items						-	-	-	-
Other reduced requirements						-	-	-	-
Total						-2.0	-2.0	-2.0	-2.0
Additional bids									
(i) Teachers:									
(a) Maintaining standards of provision							30.0	40.0	55.0
(b) In-service training							10.0	15.0	20.0
(c) Premature retirement							2.0	2.0	2.0
(d) Shortage subjects							1.0	1.0	3.0
(ii) Non-teaching costs (schools)							-	-	50.0
(iii) Mandatory awards							10.0	10.0	7.0
(iv) Science							3.0	6.0	10.0
(v) Overseas students							-	2.0	3.0
Offsetting savings							-	-	-
Total							56.0	76.0	150.0
Additional requirement									
School transport							37.0	47.0	52.0
Total (with additional requirement)							93.0	123.0	202.0
Options for reductions									
(i) Under fives							-20.0	-30.0	-30.0
(ii) School leaving age adjustment							-10.0	-15.0	-15.0
(iii) Capital expenditure							-15.0	-20.0	-25.0
(iv) Administration by local authorities							-5.0	-10.0	-15.0
(v) Recreational and community projects as well as 5 per cent reduction in Youth Service expenditure							-20.0	-30.0	-30.0
(vi) Higher education							-20.0	-60.0	-90.0
(vii) Awards:									
(a) consequential of (vi)							-10.0	-25.0	-30.0
(b) further reduction in value ⁽²⁾							-25.0	-35.0	-35.0
(viii) Science							-30.0	-30.0	-30.0
Total							-155.0	-255.0	-300.0
Alternative Treasury option									
Schools, current expenditure							-45.0	-70.0	-70.0

Notes: ⁽¹⁾ This reduced requirement allows for the impact of the squeeze on civil service manpower both on the Department of Education and Science (£½ million a year) and on the Research Councils (£1½ million a year). The Department of Education and Science consider that the reduced requirement for the Research Councils should be omitted since there is no change in the requirement for the planned volume of research announced in Cmnd. 7841 and there has been no collective decision by Ministers that the squeeze on civil service manpower should be used to effect a permanent reduction in Research Council staff who are not civil servants or a corresponding reduction in the agreed plans for science for later years. The impact of the possible squeeze through other cash limits in 1980-81 cannot yet be estimated.

⁽²⁾ If options (vi) and (vii) (a), were not taken up, option (vii) (b) would yield some £5 million more (rounded) in each year.

Introduction

This programme covers mainly education in England but also mandatory awards in Wales,

universities in Wales and Scotland and science in Great Britain. Over 95 per cent of the total programme is expenditure on education which is

planned to decrease by just over 9 per cent between 1978-79 and 1983-84. Over four fifths of the programme is spending by local authorities, principally classified as expenditure on goods and services. Central Government expenditure goes mainly on higher education and to the research councils. It also goes on student awards which is the only significant part of the programme not subject to cash limits.

2. The main charges in the programme are for tuition fees in higher and further education (which are however paid from public funds for those who receive awards) and for school meals (where the charge is now fixed by local authorities).

Implications of the baseline figures

3. The DES consider that, in some important respects, the baseline falls short of the minimum level of provision consistent with the Government's commitment in the Queen's Speech to maintain and improve the quality of education. The Treasury consider, however, that this commitment was fully taken into account by Ministers in reaching their decisions on the 1979 survey; their general view then was that if the resources in the education programme were sensibly allocated, they should be sufficient to enable the quality of education to be maintained at the level of 1978-79.

4. The biggest reductions as a result of the 1979 survey are planned to be made in areas not directly related to standards of provision for home pupils and students: hence, there are continuing planned large savings on school meals and milk from 1980-81 onwards; and the introduction of full cost fees for overseas students starting courses from September 1980 onwards leads to increasing reductions in expenditure on higher and further education up to 1983-84. In addition, there is decreasing expenditure on schools, as the school population falls, after making an allowance for the diseconomies of smaller scale. The DES consider however that there is a substantial underprovision in planned expenditure for schools—see paragraphs 7 and 8 below.

Education

Schools

5. The following tables set out the programmes and projections which underlie the baseline figures.

BUILDING PROGRAMMES (STARTS) ENGLAND

£ million, 1980 survey prices

	1980-81	1981-82	1982-83	1983-84
School basic need:	116.4	102.1	62.3	62.8
improvements:	15.6	22.0	22.7	22.7
Energy conservation:	16.3	12.8	—	—
Special schools, basic				
need:	5.2	5.2	5.2	5.2
improvements:	1.7	2.2	2.2	2.2
Under fives:	2.4	3.1	3.8	3.8

Note: The above figures are for starts. They will translate into figures for expenditure over a number of years to include the cost of capital construction and associated professional fees, land, furniture and equipment.

PUPILS AND TEACHERS, ENGLAND

Thousands

	1978 -79 act.	1979 -80 est.	1980 -81	1981 -82	1982 -83	1983 -84
Pupils:						
Under fives:	429	429	424	394	394	394
Primary:	4,139	3,981	3,807	3,635	3,440	3,315
Secondary:						
under school						
leaving age:	3,589	3,575	3,532	3,463	3,410	3,334
over school						
leaving age:	283	293	300	303	302	297
Special schools:	123	124	123	122	121	120
Teachers:						
Ordinary schools:	441	438	424	413	402	386
Special schools:	17	17	17	17	17	17
Participation rates (%)						
Under fives:	37.5	39.2	40.1	36.9	35.0	34.3
Secondary:						
over school						
leaving age:	19.3	19.4	19.4	19.5	19.6	19.5
Pupil:teacher ratios	18.9	18.7	18.8	18.7	18.6	18.8
(ordinary schools)						

Notes:

- The table relates to all maintained schools, and includes pupils under five supported through the urban programme. The projections are based on the latest available count of actual numbers in January 1979.
- Pupil and teacher numbers are as at January in the relevant academic year.
- The under fives are numbers participating, not full-time equivalents.
- Teacher numbers are expressed as full-time equivalents, and take account both of teachers in school and of extra teachers to permit the planned programme of induction and in-service training.
- Participation rates for under fives express the number of children under five in school, part-time or full-time, as a percentage of three and four year olds in the population.
- The "secondary over school leaving age" participation rate is expressed as a percentage of 16 and 17 year olds in the population and does not include participation in FE or non-

maintained schools. The former are however included in the "Staying on" rates given in the table in paragraph 15.

9. Pupil:teacher ratios relate to ordinary schools only and are derived arithmetically from the projected populations shown in the table. They are not a measure of effective staffing standards within the schools because of the inclusion in the calculation of unqualified teachers and teachers on induction and in-service training courses and because they take no account of the age distribution of pupils or diseconomies of falling numbers.

Under fives

10. By 1983-84, expenditure is planned to be 5 per cent below the estimated level in 1979-80. Since certain overhead costs are fixed, pupil numbers are expected to fall by rather more than this, ie by some 10 per cent. It is envisaged by DES that the bulk of the savings should be achieved through a reduction in the number of under fives in primary schools rather than in nursery classes and schools. The projections imply a falling participation rate for under fives (accentuated by the increasing size of the 3+ and 4+ age groups from 1981-82 onwards).

Primary and secondary

11. The baseline figures take some account of the need to maintain standards of provision and protect the basic curriculum as pupil numbers fall and problems of redeployment of teachers intensify. The DES consider that the planned number of teachers falls short of the level required to maintain standards of provision in 1978-79 by about 7,000 teachers in 1981-82, and in 1982-83 and 12,000 teachers in 1983-84. The provision allows for the present level of in-service training and induction to be maintained. Expenditure on teachers allows necessarily for an additional £150 million in 1983-84 for the higher cost of teachers' salaries as the teacher force becomes more senior following the recruitment of large numbers of young teachers in the 1960s and early 1970s.

12. In the case of non-teaching costs, the baseline assumes the closure by local education authorities of 833,000 surplus school places by 1983-84. If this rate of closure is achieved, there is allowance for diseconomies of smaller scale as pupil numbers fall and for additional expenditure on books and equipment up to 1982-83 (as recorded in Cmnd. 7841). The DES consider that the resources available in 1983-84 are insufficient by some £50 million to maintain standards of provision.

13. The Treasury consider that, as the baseline expenditure is planned to fall to only half the extent of

the fall in the number of pupils, it should be possible for standards to be maintained.

10. The Department of Education and Science are engaged in a joint study with the Treasury on provision for current expenditure on primary and secondary schools. A first report is expected during June for consideration alongside this report.

11. Numbers in special schools are projected to fall slightly and provision is planned to remain broadly level throughout the period. As Ministers have agreed there is no allowance in the baseline for implementing those recommendations of the Warnock Committee involving significant expenditure.

12. The latest provisional assessment of the basic need for additional places in schools, based on bids from some local authorities received early in 1980, suggests that provision for building starts in 1983-84 is too high. However, accurate forecasts of need cannot be established at this stage and since provision for starts does not significantly affect expenditure during the survey period, the baseline has been left unchanged for further consideration later in this survey.

School meals, milk and transport

13. The baseline figures assume that the discretion available to local authorities under the Education Act 1980 over provision and charges for meals and milk will lead to savings in 1980-81 of over half the cost of these services in 1978-79, with slightly higher savings in later years reflecting mainly the falling pupil numbers.

14. Cmnd. 7841, which assumed savings of £37 million in 1981-82 rising to £52 million in 1983-84 on school transport, went to press before the government's decision on 18 March, in the light of the vote in the House of Lords not to proceed with legislation enabling local authorities to charge for school transport. Ministers agreed that the implications of that decision on expenditure from 1981-82 onwards should be considered in the 1980 survey. There is therefore a requirement for additional expenditure on this sub-programme of the amounts indicated above.

Higher and further education

15. The following programmes and provisional

projections of student numbers match the baseline figures:

BUILDING PROGRAMMES (STARTS)

£ million, 1980 survey prices

	1980-81	1981-82	1982-83	1983-84
Universities ⁽¹⁾ (GB)	9.2	9.0	9.2	9.1
Energy conservation	2.4	2.8	—	—
Further education (England)	24.0	29.2	29.8	29.8
Energy conservation	7.1	5.7	—	—

⁽¹⁾ Includes Royal College of Art, Cranfield Institute of Technology and the Open University.

16. Total expenditure on higher and further education is planned to fall mainly as a result of reduced expenditure on overseas students, but also because expenditure for home students in non-university institutions is expected to fall by some £15 million by 1983-84; expenditure for home students in universities should remain broadly constant. The total number of home students in both sectors is expected to remain more or less constant (necessitating a reduction in unit cost especially in the public sector), but the number of admissions may have to fall below the level reached in 1979-80. The age participation rate, which has been falling since 1972-73, is assumed to fall further, as the 18+ age group continues to rise, from an estimated 12.3 per cent in 1979-80 to 11.6 per cent in 1983-84. By contrast, DES projections

suggest that, if rising trends in the proportion of qualified school and college leavers desiring to go on to higher education, other than teacher training, were extrapolated and there were no constraints on expenditure, the age participation rate might have recovered to 13.0 per cent by 1983-84 and the number of home students might have been some 50,000 greater than the total of 425,000 shown in the table below.

17. In Cmnd. 7841, expenditure on mandatory awards after 1980-81 was based on the assumption that the real value of the award would be cut by 7 per cent. For 1980-81, the Department made adjustments within the programme to ensure that awards were not treated less favourably than certain short-term social security benefits: that is, the agreed rate of increase for awards as reduced by 5 percentage points, thus yielding a reduction in real value of the award of just over 4 per cent.

18. Provision for home students in non-advanced further education is planned to increase until 1981-82 and then remain level. Expenditure on adult education is planned to fall by one-third (£15 million in a full academic year) from 1980-81 onwards. Expenditure on the Youth Service is planned to remain level.

19. For higher and further education (excluding universities) staff: student ratios are planned to decline from 1:11.3 in 1978-79 to 1:12.5 in 1983-84

STUDENTS

Thousands

	1978-79 actual	1979-80 estimated	1980-81	1981-82	1982-83	1983-84
Higher education (full-time and sandwich)						
Universities (GB)	288	292	291	291	290	290
Other institutions (England)	187	185	177	174	171	170
Total	475	477	468	465	461	460
of which overseas	58	54	41	37	35	35
Non-advanced further education (England)						
Major establishments	1,571	1,636	1,656	1,670	1,678	1,683
of which:						
Home full-time and sandwich ⁽¹⁾	261	279	290	298	300	301
Overseas full-time and sandwich	25	21	19	19	19	19
Adult education (evening institutes)	1,875	1,723	1,685	1,685	1,685	1,685
Participation rate ⁽²⁾ %:						
(including schools) of 16- and 17-year olds: %	31.0	31.5	31.8	32.0	32.3	32.4

⁽¹⁾ includes students on MSC sponsored courses counted as full-time equivalents.

⁽²⁾ ages as at 31 August.

reflecting in part the greater efficiency expected in advanced further education as a result of the arrangements provided by the Education Act 1980 or limiting the level of expenditure pooled by local authorities.

21. Provision for capital expenditure is intended to provide mainly for additional places in non-advanced further education.

Science

22. The plans provide for an increase in expenditure on science of about 1 per cent between 1980-81 and 1983-84.

Additional bids

(i) Teachers

23. This bid has four separate components, each considered necessary by the Department of Education and Science to meet the Government's commitment in the Queen's Speech to maintain and improve the quality of education. The first component (i) (a) covers deficiencies in the baseline, as identified by the Department of Education and Science in paragraph 7 of this chapter as being necessary to maintain standards of provision in 1978-79. In the Treasury's view, the baseline represents the Government's interpretation of its commitment, which was not specifically related to standards of provision. The remaining bids are designed to provide for a more effective use of the teaching force. (i) (b) provides for the employment of additional teachers to enable the full-time equivalent of 2,000, 3,000 and 4,000 teachers respectively for each of the three years to be released for in-service training, in addition to the planned level of 5,000 teachers already released each year. The Department of Education and Science consider that in-service training is required particularly to improve the quality of teaching (especially in a period when the teacher force will become older), to improve teaching of priority subjects, to equip teachers to be redeployed to other posts as school rolls fall, and to train heads and other senior staff for management tasks. The bid would also make possible some additional training for teachers in ordinary schools to enable them to assist pupils with special needs as recommended by the Warnock Committee. The third component, (i) (c), provides for additional payments (at present at the discretion of local authorities) to about 1,000

teachers each year to accelerate the premature retirement of poor quality teachers. The final component, (i) (d), provides for the continuation of schemes for training or re-training teachers for shortage subjects beyond 1982-83 and also for the introduction in 1981-82 of a scholarship scheme to attract high quality students to train as teachers in shortage subjects.

(ii) Non-teaching costs (schools)

23. This bid is considered necessary by the Department of Education and Science to maintain standards of provision for non-teaching costs in schools, as outlined in paragraph 8 of this Chapter.

(iii) Mandatory awards

24. This bid is designed to ensure that the level of these awards is assessed on the same basis as certain short term social security benefits. It would enable awards to be kept in real value at the 1980-81 level, rather than be cut still further as assumed in the baseline provision (see paragraph 17 of this chapter).

(iv) Science

25. This bid would enable opportunities to be taken in areas of fruitful basic research where British scientists excel, where the impetus of activity needs to be maintained if we are not to fall behind our competitors, and which are the essential pre-requisite for future developments of national benefit. Such areas include biotechnology, a major new inter-disciplinary field of significant potential for industrial innovation; microelectronics, including advanced computing and fields such as robotics; research in cancer therapy, including the use of interferon (a potential anti-cancer drug); and climatic research using satellites.

Unified vocational preparation (UVP)

26. The Departments of Education and Science and of Employment are currently considering the future of pilot projects of unified vocational preparation, administered jointly by the Education Departments and the Manpower Services Commission. There is a growing recognition amongst employers of the value of this form of training for the less skilled occupations, and of the need to continue and develop the UVP programme on a wider scale. A number of options have been drawn up inter-departmentally and it seems likely that the recommended option will be for a limited

expansion programme which could be met broadly within the resources already available (within the programme of the Manpower Services Commission). If however Ministers decide upon an expansion beyond this, the Departments would need to submit an additional bid.

(v) Overseas students

27. It has been agreed that, following Greece's accession to the EEC, her students should be charged the home student fee from September 1981. The DES consider that the sums available to cover the cost of this are inadequate to the extent shown. In the Treasury's view the resources should be found from within the programme (eg by an increase in the home student fee).

Options for reductions

28. Various charges (eg for under fives and 16-18s) in the education service were considered and ruled out during the 1979 survey. The reductions already planned limit the further scope for improvements in efficiency. Any further significant reductions in expenditure would therefore be likely to entail reductions in the scale or range of education provided. This would mean a lowering of standards or a restriction of opportunities. It could lead to political conflict, and there are no means of ensuring that local education authorities generally would implement plans of this kind. Hence the precise consequences of these options cannot be forecast: they might well lead to increases in local rates as well as to cuts in other services.

(i) Under fives

29. This option would mean reducing by about 75 per cent the number of pupils under statutory school age in primary schools.

(ii) School leaving age adjustment

30. This option would allow pupils whose 16th birthday falls between September 1 and January 31 to leave at the end of the preceding summer term instead of the following Spring. This might mean that up to one-fifth of all pupils would fail to complete the present full secondary course. The legislation needed would be controversial.

(iii) Capital expenditure

31. This option would reduce building starts programmes and provision for fees, furniture and

equipment by 10 per cent, leading to a reduction in capital expenditure across the board of this order. It would mean inadequate provision for basic need, a smaller school improvements programme, and less furniture and equipment in schools, colleges and universities.

(iv) Administration by local authorities

32. This option would jeopardise the Government's plans for reductions in expenditure through the provisions in the Education Act 1980 (eg on school meals) and for other reductions (eg through the closure of surplus schools).

(v) Recreational and community projects

33. About £20 million of the Department's programme goes on local authority spending on village halls and other recreational and community projects which are important for adult education and the Youth Service. This option assumes that most of this expenditure would be abandoned and that Youth Service expenditure would be reduced by 10-15 per cent.

(vi) Higher education

34. This option would mean a further reduction in the total number of students in higher education of about 30,000 by 1983-84 which would involve cutting the number of young home entrants to a level some 10,000 (10 per cent) below the present level, in each of the years after 1980-81, with a further reduction in the participation rate (see paragraph 16). Taking into account the smaller size of the non-university sector (160,000 home students out of a total of 425,000 expected in 1983-84) and the reductions already planned in that sector, it has been assumed that the effect of this option will fall proportionately across the non-university and university sectors, that is reductions of 12,000 and 18,000 students by 1983-84 respectively. Opportunities for qualified school leavers would be severely curtailed, even though there is a shortage of highly qualified manpower in certain fields.

(vii) Awards

35. The first part of this option is a consequence of (vi). The second allows both for a further reduction in the value of the award so that by 1983-84 it would be up to 15 per cent below the level assessed necessary to cover living costs and for an increase in parental contributions by some 10

per cent. This also would curtail opportunities in higher education.

(viii) Science

36. This option, involving a cut in the Science Budget of 10 per cent, would mean not only forgoing new opportunities such as described in paragraph 25 of this chapter but also abandoning some established areas of basic research where British scientists now make a leading contribution to the advancement of knowledge and to discoveries which will increase the nation's prosperity and well-being. It would mean either withdrawing from one or more major international facilities in fields such as nuclear research, space science and neutron beam research, which effectively sustain the country's capability in these areas; or making cuts in support for university research and scientific postgraduate training and in the activity of Research Councils' own establishments (some of

which would have to close), leading to wasted resources, reductions in the supply of highly seeking retrenchment through a combination of these measures.

Schools current expenditure (Treasury option)

37. This option reflects the view of some Ministers at the end of the 1979 survey that there remained scope for further reductions in education expenditure. It is, of course, subject to the outcome of the joint study referred to in paragraph 10 of this chapter, like certain of the additional bids. The option implies a 2½ per cent teaching and non-teaching manpower reduction to be achieved through improved efficiency and without detriment to the service. This illustrative percentage is selected by analogy with the reduction imposed in the civil service but it could be any other figure with a proportionate effect on the savings. Special schools have been excluded.

20. Office of Arts and Libraries

TABLE 20

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Arts England									
National museums and galleries:									
Capital	6.4	7.9	5.9	11.6	4.7	5.0	4.7	6.2	6.2
Annual purchase grants	5.2	5.4	7.0	8.3	7.9	8.6	8.0	7.7	7.7
Other current	28.5	29.6	30.4	30.3	33.9	36.0	36.8	35.5	35.5
Local museums and galleries:									
Capital	8.2	4.3	4.0	3.7	4.3	4.1	3.8	3.7	3.7
Current	28.1	28.1	27.9	32.6	28.9	26.4	25.1	24.4	24.4
Arts Council and other arts:									
Capital	5.8	4.5	1.7	1.6	3.4	1.9	1.9	0.7	0.7
Current	48.4	57.1	58.1	62.5	67.1	68.5	63.7	61.9	61.9
The heritage	0.6	2.0	2.0	1.5	2.8	6.1	2.0	2.8	2.8
Total arts									
Capital	20.4	16.7	11.6	16.9	12.4	11.0	10.4	10.6	10.6
Current	110.8	122.2	125.4	135.2	140.6	145.6	135.6	132.3	132.3
Total	131.2	138.9	137.0	152.1	153.0	156.6	146.0	142.9	142.9
Libraries England									
British Library:									
Staff administration, etc.	19.7	18.0	22.1	19.0	25.3	22.3	24.8	23.5	23.5
Purchase grants	4.6	5.4	6.3	6.0	6.1	6.6	7.9	8.5	8.5
Capital	0.1	6.9	1.4	2.4	1.0	-0.1	4.7	7.1	7.1
Local libraries:									
Capital	22.7	15.2	10.5	8.7	10.3	9.6	9.1	8.8	8.8
Current	201.8	199.2	197.8	203.5	200.2	185.8	176.2	172.7	172.7
Total libraries:									
Capital	22.8	22.1	11.9	11.1	11.3	9.5	13.8	15.9	15.9
Current	226.1	222.6	226.2	228.5	231.6	214.7	208.9	204.7	204.7
Total	248.9	244.7	238.1	239.6	242.9	224.2	222.7	220.6	220.7
Total arts and libraries:									
Capital	43.2	38.8	23.5	28.0	23.7	20.5	24.2	26.5	26.5
Current	336.9	344.8	351.6	363.7	372.2	360.3	344.5	337.0	337.0
Total	380.1	383.6	375.1	391.7	395.9	380.8	368.7	363.5	363.5
Changes from Cmnd. 7841 revalued	-	-	-	-	-8.7	-0.2	-0.8	-	-
Cmnd. 7841 revalued	380.1	383.6	375.1	391.7	404.6	381.0	369.5	363.5	363.5
Revised economic assumptions						-	-	-	-
Reduced requirements not included in the baseline:									
Cash limits squeeze in 1980-81:									
Civil service manpower and related expenditure						-1.0	-1.0	-1.0	-1.0
Other items						-	-	-	-
Other reduced requirements						-	-	-	-
Total						-1.0	-1.0	-1.0	-1.0
Additional bids									
(i) National museums and galleries							-	1.0	1.0
(ii) Local museums and galleries							-	1.0	1.0
(iii) Other arts							-	2.0	2.0
Offsetting savings							-	-	-
Total							-	-	-
Options for reductions:									
(i) Libraries, museums, galleries other arts and heritage							-7.4	-10.9	-10.9

Introduction

1. Expenditure on the OAL programme is in the proportion of 40% by Central Government and 60% by local authorities. Central government expenditure provides grants or grants-in-aid to the Arts Council, the national museums and galleries and the British Library. New features in the programme are Public Lending Right and the OAL share of the National Heritage Memorial Fund and acceptance in lieu. In the year 1980-81 there is a special initial contribution for the National Heritage Fund.

Implications of the baseline figures

Central government expenditure

1. The arts, England

The present survey figures for arts (England), which relate solely to central government expenditure, are—

	£ million			
	1980-81	1981-82	1982-83	1983-84
current	68.5	66.5	63.5	63.5
capital	1.9	2.0	0.7	0.7
National Heritage Memorial Fund and acceptance in lieu	6.1	2.0	2.8	2.8
Total	76.5	70.5	67.0	67.0

2. The baseline incorporates half the provision for the National Heritage Memorial Fund (NHMF) set up by the National Heritage Act and makes allowance for the introduction of payments to authors under the Public Lending Right Act. The provision for the NHMF and acceptance in lieu in 1981-82 reflects the OAL's share (£0.8 million) of the reduction agreed between Ministers in March. Responsibility for the Government Picture Collection has been transferred to OAL from the Property Services Agency.

3. The provision for the Arts Council and other bodies falls in both 1981-82 and 1982-83, leading to a decline in the level of grants to the client bodies in this field.

Libraries and museums, England

4. The present survey figures for central government expenditure on libraries and museums (England), are:—

	£ million			
	1980-81	1981-82	1982-83	1983-84
British Library				
current OAL	29.9	30.3	30.0	30.1
current PSA	-1.9	—	—	—
capital	-0.5	3.6	5.9	5.9
administration PSA	1.0	1.3	1.3	1.3
National museums and galleries				
current OAL	36.1	35.2	34.5	34.3
current PSA	6.1	6.4	6.4	6.7
capital	4.3	4.2	5.7	5.7
administration PSA	2.1	2.1	2.1	2.1
Total	77.1	83.1	85.9	86.1

6. The figures in the survey for library expenditure from 1981-82 onwards include capital provision for the first stage of the British Library's new Euston building, on which a decision has not yet been taken by Ministers. The receipts in 1980-81 are from sales of property purchased on behalf of the British Library but no longer required. The museums' figures provide for a minimum capital programme of extensions and improvements to existing national museum buildings to which Ministers have long been committed. Given the small reductions in current expenditure planned for 1981-82 and succeeding years the running costs of these extensions will have to be accommodated by reductions in the least essential museum activities and/or, where possible, increases in receipts.

Local government expenditure

7. The present survey figures for the local government library and museum services are:—

	£ million			
	1980-81	1981-82	1982-83	1983-84
Libraries				
current	185.8	176.2	172.7	172.7
capital	9.6	9.1	8.8	8.8
Museums and galleries				
current	26.4	25.1	24.4	24.4
capital	4.1	3.8	3.7	3.7
Total	225.9	214.2	209.6	209.6

8. These figures imply for both services substantial further reductions in the volume of

activities which have already been significantly curtailed by the general pressure on local government resources in recent years.

Reduced requirements not included in baseline

9. The 2½ per cent cash limit "squeeze" on civil service pay in 1980-81 will amount to a reduction of £1 million, carried through into later years, in the volume of activity by the British Library and the national museums and galleries in addition to the reductions implied by the baseline figures.

Additional bids and offsetting savings

	£ million		
	1981-82	1982-83	1983-84
Arts programme generally	-	4.0	4.0

10. To the extent that additional resources are available towards the end of the period a modest start could be made in providing for important new commitments; in particular making full use of the extensions which will be coming into use by the national museums and galleries and the introduction of new policies for assistance to provincial museums. Additional provision of £1 million in 1982-83 and 1983-84 is proposed for each of these purposes, giving a total of £2 million in each year.

11. The reduced provision for the Arts Council allowed for in the baseline means a reduction in its grants to many organisations and could even lead to the withdrawal of its support to some of its clients. Those affected will include many small activities in the regions and some important and prestigious bodies which would not be viable with a significantly reduced level of support. The effects will be mitigated to the extent that the tax changes in the budget and the Chancellor of the Duchy's campaign to encourage private and business sponsorship are successful both in generating increased private sector support and in broadening its scope. But

there are some important projects which are unlikely to proceed without Government support. These include the rationalisation of the provision for symphony orchestras in London and the development of a National Young People's Theatre and a National Light Opera Company, which have had to be shelved recently by the Arts Council for lack of funds. And the move of the Royal Shakespeare Company and London Symphony Orchestra to the New Barbican Centre may also call for increased support. Additional provision of £2 million annually from 1982-83 is, therefore, proposed.

12. In the Treasury's view these bids are premature and would be more appropriate for consideration in next year's survey.

Options for reductions

13. Reductions of 2 per cent of programmes in 1981-82 and 3 per cent in 1982-83 and 1983-84 would be applied pro rata to both central and local government programmes with the exception of keeping intact the provision for the new building for the British Library. It would not be practicable for the Government to dictate to the national institutions and arts bodies how such reductions should be effected. But it is possible that, coming on top of other recent reductions, they would result in some Arts Council clients ceasing to exist; museums closing on certain days; and a curtailment of important services of the British Library, which could be made good only by an increase in the charges made for certain services which would imply increases in expenditure by user bodies elsewhere in the public sector (eg public and university libraries) and could be self-defeating if they reduced the volume of use. Local authority museums are already at the point where many of their collections are in danger from inadequate conservation and accommodation and some local libraries are barely able to provide the services their users require and are entitled to expect under existing legislation.

21. DHSS—Health and Personal Social Services

TABLE 21

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Health									
Hospitals and community health services									
Current	5,087.4	5,109.4	5,261.7	5,394.1	5,341.0	5,486.3	5,488.3	5,582.7	5,582.9
Capital	563.1	547.0	425.7	434.5	408.9	450.3	450.2	452.1	452.1
Family practitioner services									
Current	1,423.7	1,503.7	1,536.4	1,569.2	1,578.3	1,564.9	1,570.2	1,619.5	1,669.4
Capital	0.6	0.6	0.6	0.8	0.8	0.9	1.0	1.1	1.2
Total	7,074.8	7,160.7	7,224.4	7,398.6	7,329.0	7,502.4	7,509.7	7,655.4	7,705.6
Current	6,511.1	6,613.1	6,798.1	6,963.3	6,919.3	7,051.2	7,058.5	7,202.2	7,252.3
Capital	563.7	547.6	426.3	435.3	409.7	451.2	451.2	453.2	453.3
Personal social services									
Local authority services									
Current	1,156.7	1,188.0	1,207.9	1,255.8	1,282.5	1,180.6	1,204.5	1,230.5	1,257.7
Capital	124.8	94.8	57.7	56.8	71.7	70.4	70.8	72.1	72.1
Central government services									
Current	5.7	5.6	6.2	6.8	7.3	7.3	6.8	6.4	6.4
Capital	0.8	2.0	1.0	0.4	1.5	1.8	1.9	1.7	1.6
Total	1,288.0	1,290.4	1,272.8	1,319.8	1,363.0	1,260.1	1,284.0	1,310.7	1,337.8
Current	1,162.4	1,193.6	1,214.1	1,262.6	1,289.8	1,187.9	1,211.3	1,236.9	1,264.1
Capital	125.6	96.8	58.7	57.2	73.2	72.2	72.7	73.8	73.7
Other health services and central and miscellaneous services									
Current	291.7	289.1	284.7	290.1	306.8	337.2	328.9	328.8	334.0
Capital	7.2	6.9	7.0	7.7	12.6	16.2	18.5	14.6	17.1
Total health and personal social services									
Current	7,965.2	8,095.8	8,296.9	8,516.0	8,515.9	8,576.3	8,598.7	8,767.9	8,850.4
Capital	696.5	651.3	492.0	500.2	495.5	539.6	542.4	541.6	544.1
Total	8,661.7	8,747.1	8,788.9	9,016.2	9,011.4	9,115.9	9,141.1	9,309.5	9,394.5
Changes from Cmnd. 7841 revalued	—	+0.1	—	-0.2	+9.9	-0.3	-0.4	-0.2	-0.4
Cmnd. 7841 revalued	8,661.7	8,747.0	8,788.9	9,016.4	9,001.5	9,116.2	9,141.5	9,309.7	9,394.9
Revised economic assumptions									
Reduced requirements not included in the baseline:									
Cash limits squeeze in 1980-81:									
Civil service manpower and related expenditure									
Other items									
Other reduced requirements									
Total	—	—	—	—	—	—	—	—	—
Additional bids:									
(i) NHS — recovery of road casualty treatment costs									
(ii) NHS — reduced estimate of savings from charges to foreign visitors									
(iii) NHS — likely reduction of income following withdrawal of proposals to charge for sight tests									
(iv) NHS — growth allowance to cope with effects of demographic change									
(v) PSS — introduction of residential care orders									
(vi) PSS — local authority takeover of jointly financed projects									
Offsetting savings									
(i) NHS									
Total (net)	—	—	—	—	—	91.0	33.0	141.0	—
Options for reductions									
(i) NHS — half price dental charges for most exempt classes									
(ii) NHS — half price prescription charges for exempt classes									
(iii) NHS — hotel charge									
(iv) NHS — G.P. consultation charge									
(v) NHS — balance needed to achieve 2 and 3 per cent options									
(vi) PSS — reduction in net expenditure of 2 and 3 per cent									
Total	—	—	—	—	—	-183.0	-279.0	-282.0	—

Introduction

1. About 85 per cent of the programme consists of expenditure on the National Health Service, of which almost 70 per cent is cash limited (spending on the hospital, community health and centrally financed services). Expenditure on the family practitioner services (FPS) is demand-determined and is not cash-limited. Less than 5 per cent of spending by the NHS is directly controlled by central government; the rest is expenditure by health authorities and family practitioner committees. About 8 per cent of health authority spending is on capital, which has declined in recent years to about four-fifths of its 1975-76 level: revenue expenditure has increased at an average of 2 per cent a year between 1975-76 and 1978-79 then fell in 1979-80 because of the cash limits squeeze.

2. The remainder of the programme consists of expenditure on the personal social services, almost all of which is by local authorities and is only financed by central government to the extent implied in the Rate Support Grant. The services provided complement health services in many instances, and spending has increased since the mid-1970s in line with demographic change. However, Cmnd. 7841 illustrated a reduction in current expenditure in 1980-81 to some 6 per cent below the level of 1978-79 to enable local authorities to meet their targets for overall spending reductions. Local authorities were also asked to reduce spending in 1979-80 below plan, but it seems likely that out-turn will be close to that originally planned.

Implications of the survey baseline

3. For the years 1980-81 to 1983-84 provision is virtually as in Cmnd. 7841 and implies the following percentage growths:

4. The implications are set out below:

(a) Gross health expenditure up to 1982-83 is as planned by the previous Administration (manifesto commitment) though with net expenditure offset by expected income from increased FPS charges and estimated income from increased recovery of treatment costs of road accident victims and from overseas visitors. This estimated income is dependent on legislative changes not yet agreed.

(b) Expenditure on the FPS takes account of £11 million saving in the drugs bill achieved in 1979-80 through a "better prescribing campaign", forecast growth in demand and the deterrent effect of higher charges. However because of revised economic assumptions the income from the £1 prescription charge to be introduced in December 1980 will provide a lower proportion of gross expenditure than expected (see paragraph 5): from 1982-83 this charge will be increased in line with inflation.

(c) There is no provision in 1983-84 for growth in expenditure on hospital and community health services or on centrally financed services. Some allowance over and above the growth of 0.8 per cent in gross current expenditure needed to take account of demographic change is required if the spread of improved medical techniques is not to erode that demographic provision.

(d) The 2 per cent a year growth in expenditure on the local authority personal social services from 1980-81 will maintain standards (given demographic change and numbers of children in care) at the lower levels resulting from the planned cuts in that year.

Revised economic assumptions

5. There is an increased requirement of £3 million from 1981-82 on the demand-led FPS because of

		1980-81		1981-82		1982-83		1983-84	
Total programme	net	9,111.7	0.3%	9,139.7	1.8%	9,308.5	0.9%	9,389.3	
	gross	9,508.0	1.7%	9,671.6	1.8%	9,847.2	0.9%	9,938.3	
Major components:									
HCH current	net	5,486.3	0%	5,488.3	1.7%	5,582.7	0%	5,582.8	
	gross	5,530.6	1.7%	5,624.2	1.7%	5,718.6	0%	5,718.8	
PSS current (LA)	net	1,180.6	2.0%	1,204.5	2.2%	1,230.5	2.2%	1,257.7	
	gross	1,350.6	2.0%	1,378.2	2.1%	1,407.1	2.2%	1,438.2	
FPS current	net	1,564.9	0.3%	1,570.2	3.1%	1,619.5	3.1%	1,669.4	
	gross	1,742.6	2.6%	1,788.1	3.0%	1,841.3	3.0%	1,892.8	

revised economic assumptions affecting prescription charges.

Reduced requirements not included in the baseline

For the present, the cash limit squeeze on headquarters expenditure has been allocated wholly to the social security programme. As regards the Health Service the Government already has a policy of switching NHS resources from administration to direct patient care, and this has been allowed for in off-setting savings (paragraph 10).

Additional bids and offsetting savings

Because of modifications requested by other interested Departments income obtained by charging foreign visitors for NHS treatment formerly provided free under the 'Good Samaritan' policy will yield at least £15 million less than previously estimated. This figure will need to be reviewed in the light of practical experience.

The H Committee have decided to defer a decision on the Health Departments' proposal for greater recovery of the treatment costs of road accident victims pending the outcome of a study into a broader charging scheme for the recovery of hospital costs in other cases of accidental injury. It seems unlikely that the necessary legislation can be introduced in time to raise the whole of the £66 million envisaged for 1981-82. In addition proposals to charge for sight tests have been withdrawn; ways of replacing this income are being sought but there could still be a deficit of £5 to £10 million a year from 1981-82.

Present expenditure plans provide broadly for 2 per cent annual growth in overall gross expenditure on health up to 1982-83. To continue this in 1983-84 would require an extra £109 million which would allow a 1.8 per cent increase in health authorities' current expenditure (of which 0.8 per cent is required for demographic change). The forecast growth in the demand-led FPS is already allowed for in the plans in the baseline.

This growth would maintain NHS standards in face of demographic pressures and provide a small margin for necessary improvements.

There are a number of initiatives under way which will release resources:—

- (a) the effects of the "better prescribing campaign" are already allowed for in the FPS baseline.
- (b) a restructuring of the NHS to bring services closer to patients will eventually reduce administrative costs by £30 million; target date for reduction in posts—1 April 1984. There will however be offsetting redundancy payments in the intervening years provisionally assessed at £10 million but to be reviewed when the negotiations are completed.
- (c) further energy-saving measures are expected to produce £3 million a year cumulative over the next 10 years.
- (d) better procurement policies could reduce expenditure by £15 million, but the full effect is unlikely to be realised before 1984-85.

If these savings are to be realised in a service where the responsibility for the necessary decisions is highly decentralised some incentive must be given to the staff to seek out savings. The staff concerned need to see that some of the money released is ploughed back into the local service. On this basis of sharing, savings of £5 million in 1981-82, £7 million in 1982-83 and £15 million in 1983-84 are available to offset the additional bids.

Personal Social Services

11 (a) There is a manifesto commitment on Law and Order requiring the introduction of *Residential Care Orders*. Given the promise to local authorities not to impose additional burdens without financial provision, there will be an addition needed of perhaps up to £10 million a year once Ministers have taken a decision on timing.

(b) *Joint finance*: the original intention of joint finance between health and local authorities was that local authorities should eventually take over projects supported by the scheme. The planned reduction in LA PSS resources would severely restrict local authorities' ability to assume responsibility for joint finance-funded projects. Unless additional funds are made available through the RSG mechanism there will be a danger that schemes will collapse (possibly requiring more costly substitute care within the NHS) or be continued only at increasing cost to health resources. An addition of £8 million in 1982-83 and £12 million in 1983-84 would relieve pressure and

enable services for vulnerable groups to be provided in the most appropriate and economical way (30 per cent of joint finance is spent on services for the mentally handicapped).

Options for reductions

Health

12. The Government's commitment to maintain spending on the health service implies that options for reduction must relate to increased income and not cuts in gross expenditure. Most possibilities for major savings have already been precluded in the last survey and in statements by the Prime Minister and other Ministers though they are listed again below. Savings in public expenditure of 2 per cent or 3 per cent of the health programme would require some combination of the following:

	Saving £ million
(a) Half price charges for dental services for children and expectant mothers, and for children's glasses*	10
(b) Half price charges for prescriptions for most groups currently exempt (i.e. the elderly, children, expectant and nursing mothers and those with specified medical conditions)*	65

(c) Hotel charge of £20 per week with exemptions†	20
(d) £2 charge for GP consultation, with exemptions†	50

Notes: *Rejected in last survey. Specific commitment by Chancellor to maintain present range of exemptions.

†Rejected in last survey. Specific commitments by Prime Minister against.

13. DHSS suggest that another option which would raise significant health monies would be to increase the allocation from NI contributions to cover 11½ per cent of total NHS cost (as in 1965) instead of the present 9 per cent; yield £180 million. This could be accommodated by an increase of about 0.12% a side. This would not be an expenditure saving but would offset the PSBR.

Personal social services

14. The plans for Personal social services took very large reductions in 1980-81 and succeeding years in the last survey and DHSS consider it doubtful whether local authorities would deliver further savings—indeed they may not be willing to accept the planned level.

22. DHSS — Social Security

TABLE 22

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Retirement pensions	7,851.0	8,043.0	8,235.0	8,710.0	8,803.0	9,036.0	9,318.0	9,533.0	9,706.0
Invalidity benefit	735.0	802.0	877.0	969.0	998.0	1,045.0	1,061.0	1,091.0	1,142.0
Industrial disablement benefit	237.0	237.0	238.0	249.0	245.0	255.0	261.0	264.0	266.0
Widows pensions and industrial death benefit etc.	612.0	581.0	552.0	552.0	528.0	521.0	518.0	516.0	515.0
Old persons pensions	55.0	51.0	45.0	43.0	36.0	33.0	30.0	27.0	25.0
War pensions	423.5	402.4	386.4	392.4	378.0	369.0	365.0	359.0	351.0
Attendance allowance	146.0	165.0	181.0	198.0	208.0	211.0	218.0	223.0	226.0
Lump sum payment to pensioners	0.2	—	122.0	117.0	101.0	91.0	84.0	79.0	76.0
Non-contributory invalidity pension	19.0	48.0	55.0	80.0	81.0	85.0	88.0	90.0	91.0
Mobility allowance	0.3	12.0	25.0	54.0	80.0	104.0	117.0	123.0	129.0
Supplementary pensions	759.0	814.0	827.0	923.0	900.0	899.0	906.0	911.0	914.0
Supplementary allowances	1,381.0	1,619.0	1,756.0	1,678.0	1,556.0	1,841.0	2,076.0	2,148.0	2,184.0
Child benefit	870.0	773.0	1,088.0	2,074.0	2,826.0	2,585.0	2,607.0	2,409.0	2,273.0
Family income supplement	19.0	25.0	32.0	28.0	27.0	34.0	39.0	39.0	40.0
Sickness and injury benefits and maternity allowance	836.0	876.0	900.0	924.0	792.0	845.0	761.0	407.0	429.0
Unemployment benefit	743.0	794.0	783.0	729.0	647.0	846.0	820.0	739.0	734.0
Widows' allowance maternity/death grants	128.0	124.0	111.0	112.0	108.0	107.0	99.0	91.0	90.0
Administration and miscellaneous services	922.2	880.1	880.0	811.2	791.1	843.2	873.4	870.2	869.7
Total	15,737.2	16,246.5	17,093.4	18,643.6	19,105.1	19,750.2	20,241.4	19,919.2	20,060.7
Changes from Cmnd. 7841 revalued	—	—	—	—	-166.9	+19.1	+58.1	+59.1	+60.1
Cmnd. 7841 revalued	15,737.2	16,246.5	17,093.4	18,643.6	19,272.0	19,731.1	20,183.3	19,860.1	20,000.6
Revised economic assumptions						-180.0	+26.0	29.0	35.0
Demographic changes						-141.0	-52.0	70.0	-39.0
Total						-321.0	-26.0	99.0	-4.0
Reduced requirements not included in the baseline:									
Cash limits squeeze in 1980-81:									
Civil service manpower and related expenditure						-11.0	-11.0	-11.0	-11.0
Other items						—	—	—	—
Other reduced requirements						—	-1.0	-1.0	-1.0
Total						-11.0	-12.0	-12.0	-12.0
Additional bids:							190.5	525.0	681.0
Offsetting savings							-3.0	-3.0	-3.0
Total							187.5	522.0	678.0
Options for reductions							-400.0	-600.0	-600.0

Introduction

Social security is the largest public expenditure programme. Retirement pensions account for about half of the total programme expenditure, and other contributory benefits for about a fifth. The balance of the expenditure is on non-contributory benefits.

Contributions by employers and insured persons cover just under two-thirds of the total expen-

diture on this programme. Only administration and miscellaneous expenditure is subject to cash limits.

Implications of the baseline figures

3. The provision in the baseline is the same as in Cmnd. 7841 for 1979-80 to 1983-84 except that 1979-80 now reflects the most up-to-date estimated outturn for that year, and the changes in the subsequent years are as follows.

£ million, at 1980 survey prices

	1980-81	1981-82	1982-83	1983-84
Assistance with fuel costs	18.1	50.8	52.2	52.9
Uprating improvement on mobility allowance and family income supplement	1.6	7.6	7.6	7.6
Miscellaneous	-0.6	-0.3	-0.7	-0.4

Revised economic assumptions

4. The economic assumptions used to calculate revisions to the baseline required because of economic and demographic changes are set out in Annex M.

Reduced requirements not included in baseline.

5. Reduced requirements other than the cash limits squeeze represent the saving from Clause 6 of the Social Security No. 2 Bill whereby strikers will be assumed to receive £12 strike-pay to be aggregated with other resources. The saving depends on the incidence in future years and the amount recorded here can only be regarded as token entry.

Additional bids and offsetting savings

Major bids

6. *Invalidity benefit.* The uprating of invalidity benefit in November 1980 is being held back by 5 percentage points below price protection. A commitment has been made that the level of benefit will be restored, subject only to resources being available, when the benefit comes into tax (date uncertain) (by regulations: saves 50 staff). In the Treasury view, since the date at which invalidity benefit will come into tax is still uncertain no specific provision can be made in the programme at this stage.

7. *Child benefit.* Final decisions on child benefit will be taken in the context of the Budget judgement for 1981-82. There is no provision within the programme for any uprating of child benefit beyond the increase to £4.75 announced for November 1980 (as the programme stands any future uprating would be met from the contingency reserve). Increasing that rate each November in line with a movement of prices would increase expenditure on social security over the forward years by the following amounts:

£ million, 1980 survey prices

	1981-82	1982-83	1983-84
	75	250	360

8. Any improvement in real terms would cost some £55 million for each 10p by which the benefit was raised in real terms. If the bench mark were taken as restoring the benefit to its April 1979 rate of £4 in real terms, this would further increase expenditure on the benefit by the following amounts:

£ million, 1980 survey prices

	1981-82	1982-83	1983-84
	70	185	190

(By regulations, child dependency additions abolished in Survey period—staff saving of 250).

9. *Restore the 5 per cent cut.* Short-term benefits are being held back by 5 percentage points below price protection in November 1980 (an uprating of 11½ per cent instead of 16¼ per cent). Unemployment benefit is due to be taxed in April 1982, with other short-term benefits following as soon as possible thereafter. Assurances have been given that the gross rates of benefit will be considered at the time each comes into tax.

10. The overall total of additional bids in table 22 takes account of the bids outlined above.

11. *Minor bids.* There are also a number of minor proposals which amount to:

£ million, at 1980 survey prices

	1981-82	1982-83	1983-84
	32.5	36.0	38.0
(a) Long-term rate of supplementary benefit			
(i) Invalidity pensioners	13.0	13.0	13.0
(ii) Unemployed over 60	10.0	10.0	10.0
(b) Invalid care allowance	1.0	1.0	1.0
(c) Occupational asthma	2.4	3.0	3.6
(d) Death grant	4.0	4.0	4.0
(e) Administrative expenditure:			
(i) Newcastle Central Office	2.9	0.8	1.0
(ii) Livingston	2.1	0.7	1.1
(iii) CAMELOT	0.1	6.5	7.3
Offsetting savings			
(f) Child dependency addition	-3.0	-3.0	-3.0

2. Notes on the Items:

(a) *Long-term supplementary benefit.* Make invalidity pensioners eligible for the long-term rate of supplementary benefit after one year on invalidity benefit. At present the situation can arise where a person on invalidity benefit can never qualify for supplementary benefit because his income from invalidity benefit is a little above the lower short-term supplementary benefit rates which a person below pension age normally has to receive for one year before going on to the long-term rate. Such people are thus permanently disadvantaged. (By regulations, staff effect small.)

Remove the requirement to register from unemployed male supplementary beneficiaries over age 60 who have been on supplementary benefit for at least a year, so that they can qualify for the long-term rate (by regulations: requires 15 staff).

(b) *Invalid care allowance.* Extend entitlement to this benefit to non-relatives caring for a severely disabled person, following a recommendation from the National Insurance Advisory Committee, which has already been accepted in principle (by regulations: requires 12 staff).

(c) *Occupational asthma.* Prescribe as an industrial disease following an expected recommendation from the Industrial Injuries Advisory Committee (by regulations: requires 35 staff).

(d) *Death grant.* Modest improvement in the existing provision: one possibility would be to extend entitlement to the very old and to pay a uniform rate of £30.00 to all beneficiaries instead of paying a lower rate in certain circumstances. (Primary legislation; staff cost negligible).

(e) *Administrative expenditure.* Additional capital and maintenance expenditure on computing for:—

(i) Newcastle CO—current provision made not sufficient for replacement of existing pensions computer.

(ii) Livingston—enhancement of computer installation for higher unemployment loads.

(iii) CAMELOT—acceleration of the implementation of computerisation of short-term benefits and supplementary benefits in local offices, resulting in earlier and greater staff savings (2,800 estimated by July 1985).

(f) *Offsetting saving.* The proposal is to withdraw child dependency additions which are paid with other benefits (eg sickness benefit) where the children of the family are not living in the claimant's household.

Options for reductions

13. Savings of the size required could be obtained by holding back the 1981 uprating below prices or by abolishing benefits.

23. CSD — Civil Superannuation

TABLE 23

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Superannuation	446.8	458.8	456.6	467.6	507.6	538.0	586.5	623.4	664.9
Changes from Cmnd. 7841 revalued	—	—	—	—	-1.7	—	—	—	—
Cmnd. 7841 revalued	446.8	458.8	456.6	467.6	509.3	538.0	586.5	623.4	664.9
Revised economic assumptions	—	—	—	—	—	—	—	—	—
Reduced requirements not included in the baseline:									
Cash limits squeeze in 1980-81:									
Civil service manpower and related expenditure						—	—	—	—
Other items						—	—	—	—
Other reduced requirements						—	—	—	0.3
Total						—	—	—	0.3
Additional bids:									
Estimating adjustment							3.8	4.8	—
Offsetting savings							—	—	—
Total							3.8	4.8	—
Options for reductions							—	—	—

Introduction

1. This programme consists of the net expenditure charged to the Vote for civil superannuation, etc offset by accruing superannuation liability contributions made by trading funds, etc. CSD Ministers are responsible for Estimates of this Vote in Parliament but the Vote is accounted for by the Paymaster General's Office. It provides for the payment of pensions, lump sums and other superannuation benefits to or in respect of civil servants and other staffs covered by the Principal civil service pension scheme. The forecasts of expenditure assume no major changes in the existing provisions of the scheme.

Reduced requirements and additional bids

2. These are estimating adjustments. They arise from

- (i) revised assumptions about the increase in the average level of new awards;
- (ii) reductions in accruing superannuation liability contributions because of reductions in manpower in the organisations concerned.

3. In 1981-82 and 1982-83, the lower levels of receipts under (ii) more than offset the reductions in expenditure under (i) and the net programme is increased; in 1983-84, the position is reversed.

4. No specific provision has been made for the extra costs of introducing a Voluntary Early Retirement scheme in 1980-81 or for increased expenditures on redundancy compensation, which might need to be incurred if manpower reductions cannot be achieved by natural wastage.

Options for reductions

5. There are no practical options for reductions in this programme at present. Most of the expenditure is for the continuing payment of pensions already in payment; the remainder is for new awards under the existing provisions of the pensions scheme. Increasing pensions by less than prices would result in reductions in cash spending but not in the volume of expenditure as defined for White Paper purposes (see below). Deferring retirements is ruled out by the emphasis on manpower reductions.

6. The volume figures shown for this expenditure are based on the convention that future increases in pensions under the pensions increase legislation are effectively treated as price rather than volume changes. This convention is being reviewed by officials, but meanwhile the present volume figures would not be altered if pensions were to be increased during the survey period by something less than the increase in prices.

7. In any case, a decision to amend the pensions increase arrangements would affect a wide field of public sector employments and this possibility has

been deferred for the time being, pending a review of the adequacy of the allowance made for the value of pension benefits in settling public sector pay.

[The table content is extremely faint and illegible. It appears to be a large table with multiple columns and rows, possibly containing financial or statistical data.]

24. Scotland

TABLE 24

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Agriculture, fisheries, food and forestry									
Agricultural support									
Central and miscellaneous agricultural assistance including food subsidies	117.1	140.6	114.0	102.3	131.3	112.9	114.6	109.4	106.1
Support for the fishing industry	13.3	5.6	5.1	5.8	9.2	12.8	14.1	11.4	11.2
Total agriculture, fisheries, food and forestry	130.4	146.2	119.1	108.1	140.5	125.7	128.7	120.8	117.3
Industry, energy, trade and employment (excluding tourism)									
Regional and general industrial support									
Provision of land and buildings	10.1	—	—	—	—	—	—	—	—
Selected assistance to industry in assisted areas	11.8	7.2	12.2	13.1	13.7	16.1	10.2	8.3	12.3
Special assistance — rural and highland areas	12.3	11.6	14.0	15.3	17.9	18.4	18.2	18.0	17.8
Other regional support	0.2	0.2	—	—	—	—	—	—	—
Residual expenditure under repealed sections of local Employment Act 1972	-3.9	-4.2	-4.2	-0.6	-1.1	-0.2	-0.3	-0.4	-0.6
Scottish Development Agency	5.9	25.4	55.6	64.8	70.5	76.3	69.0	71.4	72.7
Other support services	0.7	0.1	0.1	0.1	—	0.1	0.1	0.1	0.1
Total	37.1	40.3	77.7	92.7	101.0	110.7	97.2	97.4	102.5
Other compensation	0.6	83.1	17.2	7.7	11.1	12.6	8.6	8.2	3.8
Registered trading, practice and consumer protection	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
General labour market services	—	—	—	3.8	4.4	4.4	4.5	4.4	4.4
Departmental administration	1.6	1.5	1.4	1.4	1.5	1.4	1.4	1.4	1.4
Other services (non cash—limited)	—	0.8	2.6	4.2	2.3	0.3	0.1	0.1	0.1
Total industry, energy, trade and employment (excluding tourism)	2.3	85.5	21.3	17.2	19.4	18.8	14.7	14.2	9.8
Other services									
Tourism	3.8	3.4	3.5	4.2	4.7	4.5	4.7	5.0	5.0
Roads and transport	386.6	360.4	371.4	392.0	366.8	365.8	361.1	342.6	341.4
Housing	862.8	820.8	772.2	746.2	761.0	688.1	604.7	549.7	484.1
Other environmental services	550.4	463.3	424.0	456.9	472.2	453.7	431.9	407.3	407.1
Law, order and protective services	260.3	257.3	244.8	250.5	264.5	271.1	276.4	279.7	284.4
Education and science, arts and libraries	1,101.3	1,085.7	1,059.0	1,071.5	1,068.8	1,029.0	1,009.4	993.7	980.0
Health and personal social services	1,179.6	1,196.8	1,210.0	1,264.4	1,254.0	1,291.6	1,309.7	1,341.3	1,359.4
Total	4,344.8	4,187.7	4,084.9	4,185.7	4,192.0	4,103.8	3,997.9	3,919.3	3,861.4
Other public services	50.6	50.0	50.7	52.9	49.0	52.9	51.9	47.3	46.5
Common services	0.4	0.2	0.4	0.4	0.3	0.6	0.6	0.6	0.6
Total expenditure within the Secretary of State's responsibility	4,565.6	4,509.9	4,354.1	4,457.0	4,502.2	4,412.5	4,291.0	4,199.6	4,138.1
Changes from Cmnd. 7841 revalued	+0.1	+1.3	+0.8	+0.1	-85.1	+2.2	+0.1	+0.1	+0.1
Cmnd. 7841 revalued	4,565.5	4,508.6	4,353.3	4,456.9	4,587.3	4,410.3	4,290.9	4,199.5	4,138.0
Revised economic assumptions									
Non-comparable						-1.2	-0.9	-0.6	-0.6
Comparable						+4.9	-5.9	-4.9	-9.7
Total						+3.7	-6.8	-5.5	-10.3

TABLE 24 (continued)

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Reduced requirements not included in the baseline:									
Cash limits squeeze in 1980-81:									
Civil service manpower and other related expenditure						-1.2	-1.1	-1.1	-1.1
Other items						-40.0	-	-	-
Other reduced requirements						-0.3	-11.0 ⁽¹⁾	-9.9	-8.7
Total						-41.5	-12.1	-11.0	-9.8
Additional bids									
Programme 3 (net of offsetting savings) ⁽²⁾							10.1	7.3	4.8
Programme 4									
(i) Assistance to industry							12.7	11.5	5.3
(ii) Hydro board smelter deficit							0.8	-2.7	1.8
(iii) Careers service							-	0.1	0.1
Programme 13									
(i) Scottish office computer services							-0.9	1.5	-
(ii) Land registration—additional staff							-	0.2	0.2
Comparable programmes							32.0	28.8	51.1
Offsetting savings							-	-	-
Total							54.7	46.7	63.3
Options for reductions									
Programme 3 ⁽²⁾							-1.4	-1.2	-0.9
Programme 4 (investment provision of SDA)							-2.3	-3.2	-3.3
Programme 13 (other public services)							-1.0	-1.4	-1.4
Comparable programmes							-59.6	-89.9	-92.9
Total							-64.3	-98.7	-98.5

⁽¹⁾ Includes £1.6 million slippage on DAFS research vessel subject to an additional bid in 1982-83.

⁽²⁾ Considered on a UK basis: See chapter 6 (MAFF).

As announced in Cmnd. 7841 it has been decided that, with effect from the current public expenditure survey, expenditure within the responsibility of the Secretary of State for Scotland will be presented in the form of a separate main programme for Scotland. This new form of presentation will appear in the next public expenditure White Paper.

As in last year's survey, most Scottish Office programmes will be dealt with under a block arrangement whereby the total expenditure on these programmes will be adjusted in proportion to the total changes finally agreed for comparable English programmes, using a ratio of 85:10 (90:10 if the comparable programme covers England and Wales). The relevance of the Needs Assessment Study to final survey decisions is not dealt with in this report. The Scottish programmes excluded from the "block" arrangement are Agriculture, Fisheries, Food and Forestry; Industry, Energy, Trade and Employment (except Tourism which is within the block); Other Public Services, and

Common Services. Comment on Scottish aspects of the AFFF programme is included in the main programme text. The IETE, OPS and CS programmes are covered in paragraphs 5-8 and 10-12 below.

Comparability principle

3. The Secretary of State will be free to adjust, between the programmes covered by the block arrangements, the total expenditure finally agreed for the block. This freedom is subject to consultation as necessary with his Cabinet colleagues. Accordingly he is currently reviewing all the programmes and services for which he is responsible and some reallocation of resources may be affected later. This discretion does not extend to the manpower provision which continues to be subject to overall control by the Civil Service Department.

Agriculture

4. Agriculture is considered on a UK basis (see MAFF chapter).

IETE

5. The Scottish Office has provision in programmes 4.1, 4.4 and 4.7. In programme 4.1 the expenditure provision covers selective assistance to industry in the assisted areas; the Highlands and Islands Development Board; residual expenditure under the Local Employment Act; the Scottish Development Agency; Oil Platform Sites and Tourism which, as stated above, is within the Scottish block of comparable programmes. In Programme 4.4 provision is made for payments to the North of Scotland Hydro Electric Board for losses incurred by the Board in supplying electricity to the British Aluminium Company smelter at Invergordon. Provision is also made in Programme 4.7 for local authority expenditure on the Careers Service in Scotland.

Additional bids

6. For these three programmes the proposed additional bids are:

	£ million			
	1981-82	1982-83	1983-84	
Subprogramme				
4.1.3	12.3	11.2	4.7	
4.1.7	0.3	0.2	0.5	
4.1.14	0.1	0.1	0.1	
Programme				
4.4	0.8	-2.7	1.8	
4.7	-	0.1	0.1	

7. These bids arise as follows:—

- On subprogramme 4.1.3 from revised forecasts of demand for regional selective assistance, and represent the additional expenditure needed to maintain existing policies.
- On subprogramme 4.1.7, because a £1 million Local Employment Act loan was repaid early giving a shortfall of receipts in subsequent years.
- On subprogramme 4.1.14 in respect of maintenance contracts at the offshore site at Portavadie. Responsibility for the maintenance contract is at present under discussion between the Scottish Development Department and the Department of Energy, but a contingency bid is necessary.
- On programme 4.4 for 1981-82 and 1983-84 and the reduced requirement identified for 1982-83, because of revised estimates by the North of Scotland Hydroelectric Board of the smelter deficit payments. These bids assumed that the dispute between the Hydro Board and the British Aluminium Company over certain charges is not

settled during the period or is resolved in the Board's favour. If the Board were to lose the dispute, they would look to the Government to reimburse the accumulated disputed charges. This could mean additional expenditure of around £40 million probably falling in 1983-84.

e. On programme 4.7 because of increased staffing requirements in the Careers Service.

Option reductions

8. The option reductions for programme 4 amount to:

			£ million
1981-82	1982-83	1983-84	
2.3	3.2	3.3	

In the Scottish Office view these would, if made, fall entirely on the investment provision for the Scottish Development Agency. The Treasury consider that there is also scope for reductions on regional selective assistance (on which there is an additional bid) by a closer scrutiny of projects.

The block—additional bids and options for reductions

9. No additional bids, offsetting savings or option reductions will be submitted for the block because of the formula approach described in paragraph 2. The additional bids and options for reductions shown in the table above are derived from the straight-forward application of the formula to comparable expenditure. The final figures will depend on the size of the actual changes agreed to comparable expenditure at the conclusion of this year's survey. There is a bid for increased expenditure on staff costs for the Scottish Prison Service which amounts to £1.2 million in 1981-82 and 1982-83 and £1.1 million in 1983-84. Staff costs are subject to control by the CSD and any addition, if agreed, will be found from within the total provision for the block adjusted as appropriate by the formula.

Other public services

10. In Scotland, this programme covers minor local authority functions such as rate collection and registration services, three smaller Scottish Departments (General Register Office, Scottish Record Office and Department of the Registers of Scotland) and Scottish Office Central Services. As a result of

the move by the Central Computer and Telecommunications Agency (CCTA) to a repayment basis for their services, individual departments now have to provide the necessary resources for computer installations. An adjustment is required to the projected expenditure for the Scottish Office Computer Service (SOCS):—

£ million		
1981-82	1982-83	1983-84
-0.9	+1.5	—

This shift in the required expenditure pattern arises because of slippage in the PSA's programme for provision of a new computer hall in SOCS.

11. There is also a bid, about which CSD have been consulted, of £0.2 million in 1982-83 and £0.4 million in 1983-84 for additional staff required as a

result of the implementation of the Land Registration (Scotland) Act, 1979. No savings can be offered to offset these increases.

12. The option reduction on this programme would amount to £1.0 million in 1981-82 and £1.4 million in 1982-83 and 1983-84. Much of the expenditure on this programme is on staff and the only place where savings of this order could be found would be local authority current expenditure.

Common services

13. This programme comprises expenditure by the Scottish Information Office on the production and dissemination of public service information on behalf of the Departments of the Secretary of State for Scotland and, in smaller measure, for UK Departments operating in Scotland. There are no additional bids and the option reductions of 2 per cent and 3 per cent are too small to register in PES.

25. Wales

TABLE 25

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Agriculture, fisheries, food and forestry									
Agricultural support	9.6	27.1	24.8	22.4	46.0	33.6	32.7	30.8	30.9
Central and miscellaneous agricultural assistance including food subsidies	10.8	8.9	7.4	5.7	6.4	6.5	6.3	6.3	6.3
Support for the fishing industry	—	—	0.1	0.1	0.2	0.3	0.3	0.1	0.1
Total agriculture, fisheries, food and forestry	20.4	36.0	32.3	28.2	52.6	40.4	39.3	37.2	37.3
Industry, energy, trade and employment (excluding tourism)									
Regional and general industrial support									
Provision of land and buildings	6.8	-0.2	-0.2	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1
Selected assistance to industry in assisted areas	1.5	3.1	0.1	1.5	3.9	6.7	5.7	5.5	6.3
Special assistance — rural and highland areas	—	—	5.7	7.9	8.6	5.3	5.0	5.0	5.0
Other regional support	0.1	0.3	1.9	1.9	1.9	2.0	2.0	2.0	2.0
Residual expenditure under repealed sections of Local Employment Act 1972	-0.1	-4.3	-1.5	-1.1	-1.1	—	—	—	—
Welsh Development Agency	3.8	14.4	32.2	47.8	50.0	61.4	56.0	36.4	33.9
General labour market services	—	—	—	0.2	0.3	0.6	0.6	0.5	0.5
Departmental administration	0.1	1.0	1.1	0.9	1.1	1.0	1.0	0.9	0.9
Total industry, energy, trade and employment (excluding tourism)	12.2	14.3	39.3	58.9	64.5	76.9	70.2	50.2	48.5
Other services:									
Industry, energy, trade and employment (tourism only)	2.7	2.7	3.1	3.8	3.4	3.8	3.8	3.8	3.8
Roads and transport	203.6	220.3	190.0	195.3	202.0	194.4	187.5	184.0	184.0
Housing	308.2	299.4	243.1	232.7	214.8	200.2	156.7	130.4	105.6
Other environmental services	239.2	218.2	218.0	207.0	209.3	200.8	202.9	202.4	201.3
Education and science, arts and libraries	472.4	466.9	455.5	465.8	403.0	449.1	441.1	431.8	421.5
Health and personal social services	519.7	526.6	539.6	553.9	558.0	563.6	567.1	579.9	584.6
Other public services	6.9	7.4	6.5	7.0	7.7	10.6	10.3	10.5	10.5
Total other services	1,752.7	1,741.5	1,655.8	1,665.5	1,598.2	1,622.5	1,569.5	1,542.8	1,511.3
Total expenditure within the Secretary of State's responsibility	1,785.3	1,791.8	1,727.4	1,752.6	1,715.3	1,739.8	1,679.0	1,630.2	1,597.1
Changes from Cmnd. 7841 revalued Cmnd. 7841 revalued	—	—	—	+4.2	-96.2	+1.3	—	—	—
Revised economic assumptions									
Non-comparable programmes:						-0.6	-0.6	-0.5	-0.4
Comparable programmes:						+2.5	-1.2	-1.8	-3.8
Total						+1.9	-1.8	-2.3	-4.2
Reduced requirements not included in the baseline:									
Cash limits squeeze in 1980-81:									
Civil service manpower and related expenditure						-0.4	-0.4	-0.4	-0.4
Other items						-7.2	—	—	—
Other reduced requirements						-1.5	-4.6	-4.1	-7.7
Total						-9.1	-5.0	-4.5	-8.1

TABLE 25 (continued)

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Additional bids									
Programme 3 (unspecified) ⁽¹⁾							4.4	3.8	3.0
Programme 4									
(i) Selective financial assistance							4.9	3.5	2.6
(ii) Steel remedials							—	20.0	20.0
(iii) Employment services							—	0.1	0.1
Comparable programmes							12.8	10.7	21.5
Offsetting savings							—	—	—
Total							22.1	38.1	47.2
Additional requirement									
(i) Education (school transport)							4.0	5.1	5.1
Total (with additional requirement)							26.1	43.2	52.3
Options for reductions									
Programme 3 (unspecified) ⁽¹⁾							-0.6	-1.1	-1.4
Programme 4 (unspecified)							-1.4	-1.5	-1.4
Comparable programmes							-25.3	-37.7	-38.6
Total							-27.3	-40.3	-41.4

Notes: ⁽¹⁾ Considered on a U.K. basis. See chapter 6 (MAFF).

1. It has been agreed that most Welsh Office programmes will be dealt with under a block arrangement whereby the total expenditure on these programmes will be adjusted in proportion to the total changes finally agreed for comparable English programmes using a ratio of 85:5. The relevance of the Needs Assessment Study to final survey decisions is not dealt with in this report. The Welsh programmes excluded from the "block" arrangement are Agriculture, Fisheries, Forestry and Food; Industry, Energy, Trade and Employment (except Tourism which is within the "block").

Agriculture

2. Considered on UK basis (see MAFF Chapter).

Industry, etc.

3. *Regional selective assistance* — The additional bid arises from revised forecasts of demand and represents the additional expenditure needed to maintain existing policies.

4. *Steel remedials* — The additional bid would provide funds to continue the programme of factory rebuilding and other remedial works in steel rundown

areas. In the Treasury's view no additional funds should be provided for this purpose. No additions have been made to the corresponding English programmes. The Treasury conclude that if more is to be spent on such remedial measures the funds should be found by offsetting reductions on Welsh programmes.

5. Employment (general labour market) services

The additional bid represents the Welsh Office equivalent requirement for extra provision to accommodate additional careers officer posts, consistent with the bid by Department of Employment.

Options for reductions

6. If the reductions were made on the Industry etc. programmes they would fall on regional selective assistance, the Development Board for Rural Wales and the Welsh Development Agency. The Treasury would have no objection if instead, equivalent reductions were made on other Welsh programmes.

Block

7. No quantified or attributed additional bid is included for the block because of the formula approach described in paragraph 1.

The 'additional requirement' for education relates to the shortfall of resources on school transport provision compared with the assumptions in Cmnd. 7841 following the Government's decision on 18 March not to proceed with legislation providing

local authorities with discretion over charges. Since it is not feasible to achieve the assumed savings on school transport without the legislation, there is a requirement for additional expenditure on this sub-programme of the amounts shown above.

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26. Northern Ireland

TABLE 26

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Agriculture, fisheries, food and forestry	59.1	62.5	82.7	101.3	77.0	49.0	42.7	43.2	42.6
Trade, industry and employment	307.6	239.5	237.3	271.1	263.9	229.6	237.6	207.1	207.4
Fuel	74.1	85.0	40.8	48.1	51.7	12.0	12.2	9.6	9.6
Roads and transport	99.7	93.7	95.6	97.5	96.8	94.7	83.2	85.9	87.3
Transport	12.0	13.7	16.0	22.2	19.5	19.9	19.8	18.1	18.6
Housing	172.7	235.5	198.6	206.3	202.0	230.3	209.5	202.9	196.0
Other environmental services	115.7	106.2	105.7	107.5	105.5	109.2	108.5	109.3	110.5
Law, order and protective services	259.2	257.0	246.3	251.2	258.1	257.5	247.4	246.0	246.0
Education and science, arts and libraries	363.8	359.4	371.3	390.2	381.3	378.6	374.8	369.4	365.6
Health and personal social services	350.2	351.9	360.5	379.8	381.8	387.3	397.3	401.0	400.7
Social security	466.3	484.9	512.0	569.5	590.0	599.5	615.3	612.1	613.7
Other public services	18.9	17.8	16.9	17.1	17.3	18.9	14.8	14.1	14.1
Common services	18.4	12.0	8.7	15.1	18.3	19.8	14.6	13.3	13.3
Total	2,317.7	2,319.1	2,292.4	2,476.9	2,463.2	2,406.3	2,377.7	2,332.0	2,325.4
Changes from Cmnd. 7841 revalued	-58.2	-49.4	-56.8	-42.7	+1.6	+2.4	+1.3	+1.1	+1.1
Cmnd. 7841 revalued	2,375.9	2,368.5	2,349.2	2,519.6	2,461.6	2,403.9	2,376.4	2,330.9	2,324.3
Revised economic assumptions						-2.1	+7.9	+12.9	+13.6
Reduced requirements not included in the baseline:									
Cash limit squeeze in 1980-81:									
Civil service manpower and related expenditure						-2.8	-2.8	-2.8	-2.8
Other items						-17.2	-	-	-
Other reduced requirements						-	-	-	-
Total						-20.0	-2.8	-2.8	-2.8
Additional bids							11.2	22.9	27.4
Options for reductions							-16.8	-24.7	-25.3

1. This table comprises expenditure by Northern Ireland Departments and the Northern Ireland Office. Expenditure in Northern Ireland by other Great Britain Departments, notably the Ministry of Agriculture, Fisheries and Food, is included within the relevant departmental chapters.

Comparability principle

2. It has been agreed that, as for Scotland and Wales, the "comparability principle" will be used for adjusting the allocation to Northern Ireland for the 1980 Survey. Under this principle, the allocation will be varied, mainly by means of a formula based on relative populations, to reflect any net adjustment, whether upwards or downwards, which may be made in the total allocation for comparable Great Britain programmes. (The relevance of the needs assessment study to final survey decisions is not dealt with in this report). It has also been agreed that, as in previous years, the Secretary of State for Northern Ireland should have freedom to utilize as

he thinks best the resources allocated to him. Accordingly he is currently reviewing all the programmes and services for which he is responsible and some reallocation of resources may be effected later.

Additional bids and savings options

3. No additional bids, offsetting savings or options for reductions are being submitted in the context of this survey because of the formula approach described in paragraph 2. The additional bids and options for reductions shown in the above table are derived from the straightforward application of the formula. However the final figures depend on the size and incidence of the actual changes agreed in Great Britain.

4. There are strong indications that Northern Ireland will face major resource problems over the survey period. These will be particularly acute in respect of energy (because of Northern Ireland's

reliance on a small, largely oil-fired electricity generating system separate from that of Great Britain), the government-owned Harland and Wolf Limited (modernised in the 1970's to specialise in the building of ships for which world demand

slumped) and the funding of an industrial investment programme (especially new inward investment) to reinforce a manufacturing base which has been eroding at almost double the rate of the worst regions in Great Britain.

Year	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
1. Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
2. Manufacturing	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
3. Non-manufacturing	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
4. Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
5. Manufacturing	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
6. Non-manufacturing	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
7. Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
8. Manufacturing	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
9. Non-manufacturing	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
10. Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
11. Manufacturing	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
12. Non-manufacturing	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
13. Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
14. Manufacturing	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
15. Non-manufacturing	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
16. Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
17. Manufacturing	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
18. Non-manufacturing	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
19. Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
20. Manufacturing	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
21. Non-manufacturing	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
22. Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
23. Manufacturing	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0	75.0
24. Non-manufacturing	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0	25.0
25. Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

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27. Nationalised industries total net borrowing⁽²⁾

TABLE 27

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Government lending (net)									
Loans	1,040	-315	-901	-200	594	150			
PDC and issues under section 18 of the Iron & Steel Act 1975	674	730	620	1,012	1,126	700			
Total	1,714	415	-281	812	1,720	850	200	-200	-650
Overseas and market borrowing (net)									
Overseas	921	1,965	587	96	-145	-50			
Market	-	-139	-	11	-726	-250			
Short-term borrowing and capital value of leased assets	-11	25	602	416	673	200			
Total ⁽¹⁾	910	1,851	1,189	523	-198	-100	-350	-400	-600
Total net borrowing ⁽¹⁾	2,624	2,266	908	1,335	1,522	750	-150	-600	-1,250
Grants	2,197	1,009	914	1,032	1,116	950	900	800	750
Total external finance ⁽¹⁾	4,821	3,275	1,822	2,367	2,638	1,700	750	200	-500
Total internal resources ⁽¹⁾	1,694	3,123	2,762	2,855	2,344	3,500	5,100	5,750	6,250
Total capital requirements ⁽¹⁾	6,515	6,398	4,584	5,222	4,982	5,200	5,850	5,950	5,750

⁽¹⁾ The baseline figures for 1980-81 onwards have been adjusted where necessary to reflect changes in the treatment of the BGC, PO, NFC and NBC leasing entries.

⁽²⁾ The figures for 1980-81 onwards are rounded, and are therefore not exactly the same as the corresponding figures in summary tables in this report.

1. The investment and financing of the nationalised industries will be the subject of a separate report to Ministers which discusses in detail the latest forecasts of their external financing requirements. The above figures are Cmnd. 7841 figures revalued except for 1979-80, for which more recent outturn figures are given, and two classification changes: the adjustments in respect of the changed treatment of leasing referred to in footnote 1 to the table, and the switch from borrowing to grant from 1981-82 onwards associated with the provisions of the Coal Industry Bill.

2. The table gives an overall view of the industries' financing, showing all sources of finance including internally generated resources. Programme 5 itself is restricted to the Government's net lending to the industries in the form of loans through the NLF and issues of public dividend capital. But the public expenditure planning total includes the industries' total external finance which, in addition to Government lending, includes their overseas and market borrowing and Government grants. Grants to the industries are included

in Programme 4 (Industry, energy, trade and employment), 6 (Roads and transport) and 8 (Other environmental services).

3. The Investment and Financing Review will discuss the industries' bids for additional external finance from 1981-82 onwards. Some industries have reduced requirements, reflecting revised estimates of their capital spending in these years and expected levels of internal resources. But there are large additional bids for telecommunications and, if a sale of British Aerospace is delayed or proves impossible, there may be additional bids on that account for some or all of the planning years. Moreover there are as yet no up-to-date firm figures later than those contained in Cmnd. 7841 for steel, shipbuilding or rail, all of which, together with coal, face difficulties in keeping on the course embodied in that White Paper.

4. In the case of steel, decisions are needed on the strategy to be followed by the industry following management changes before financing requirements can be determined. In the case of shipbuilders, decisions are required on privatisation,

28. Smaller Departments

TABLE 28

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Cabinet Office	7.0	6.7	6.9	6.1	7.2	5.9	8.5	6.4	6.5
Cabinet Office (secret vote)	36.8	40.3	43.6	42.2	40.0	47.5	47.5	47.5	47.5
Central Office of Information	46.8	35.1	31.5	36.4	37.6	40.5	30.7	29.1	28.9
Charity Commission	2.0	2.0	2.1	2.2	2.4	2.4	2.4	2.4	2.4
Civil Service Department	45.4	43.4	39.2	39.6	38.0	35.2	39.4	36.0	33.6
Commonwealth War Graves Commission	7.3	7.3	7.0	6.9	6.9	7.0	7.0	7.0	7.0
Customs and Excise	208.7	204.9	202.5	200.6	196.1	200.1	203.9	204.5	200.1
Exchequer and Audit Department	3.8	4.0	4.2	4.8	5.3	5.8	6.2	6.5	6.8
Friendly Societies Registry	0.6	0.6	0.7	0.8	0.9	0.8	0.8	0.8	0.8
Government Actuary	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
House of Commons ⁽¹⁾	28.4	26.9	25.6	29.6	32.2	34.9	32.9	32.9	32.9
House of Lords ⁽¹⁾	3.3	3.4	3.6	4.0	4.0	4.5	4.5	4.5	4.5
H.M. Stationery Office	3.4	2.7	2.6	2.8	2.6	24.6	13.7	12.0	11.4
Inland Revenue	497.1	468.7	461.2	467.5	451.6	459.6	461.3	456.3	455.3
National Investment and Loans Office	—	—	—	—	—	—	—	—	—
Land Registry	-10.7	-9.8	-7.9	-8.3	-10.1	-8.7	-12.4	-13.4	14.3
National Savings Department	77.0	71.8	56.1	49.0	49.3	55.0	49.9	49.1	49.1
Northern Ireland Court Services	0.3	0.3	0.3	0.2	3.8	5.3	6.0	5.9	5.9
Ordnance Survey	22.6	19.0	14.5	13.4	12.2	14.2	14.1	11.7	11.4
Parliamentary Commissioner	0.9	0.9	0.9	0.9	1.0	0.9	1.0	1.0	1.0
Paymaster Generals Office	4.3	4.8	8.3	6.7	6.8	7.1	6.9	7.3	7.3
Privy Council Office	0.4	0.4	0.4	0.4	0.5	0.7	0.7	0.7	0.7
Public Record Office	1.9	1.8	2.1	2.2	2.6	2.5	2.5	2.5	2.5
Public Trustee	-0.7	-1.0	-0.8	-0.7	-0.4	-0.6	-0.7	-0.7	-0.7
Queen's and Lord Treasurer's Remembrancer	5.9	6.0	6.3	6.7	7.1	7.6	7.6	7.7	7.7
Office of Fair Trading	2.2	0.3	1.1	0.7	1.3	2.1	1.8	1.7	1.7
Office of Population Censuses and Surveys	16.7	14.5	14.0	13.9	13.8	18.7	40.4	17.4	13.4
H.M. Treasury (administration, note issue etc.)									
Note issue, debt management, coinage	102.1	83.4	87.2	94.8	90.0	95.8	91.0	89.7	89.9
H.M. Treasury — administration	9.6	9.7	9.6	9.4	9.4	10.0	9.9	9.9	9.8
Miscellaneous (including NEDC and Civil List)	11.2	10.3	10.4	10.2	35.2	12.0	12.3	10.8	10.8
H.M. Treasury — Rating of Government									
Property Department	156.8	158.2	163.0	168.5	172.6	174.0	178.8	183.5	189.3
Treasury Solicitor's Office	9.9	10.1	9.4	9.8	10.2	12.0	10.9	11.0	10.9
Total smaller departments	1,301.4	1,227.1	1,206.0	1,211.7	1,230.5	1,277.8	1,279.9	1,242.1	1,234.5
Changes from Cmnd. 7841 revalued									
Cabinet Office	—	—	—	+5.6	-6.9	—	—	—	—
Central Office of Information	—	—	—	—	-5.2	—	—	—	—
Civil Service Department	-0.1	—	—	—	-2.2	—	—	—	—
Inland Revenue	-0.1	+0.1	—	—	-13.7	—	—	—	—
Land Registry	—	—	—	—	-1.5	—	—	—	-0.8
National Savings Department	—	—	—	—	-2.2	—	—	—	—
Ordnance Survey	—	—	—	—	—	-0.1	—	—	-2.1
Office of Population, Censuses and Surveys	—	—	—	—	—	-0.8	+0.1	+0.1	+0.1
H.M. Treasury — (administration, note issue etc.)	-0.5	+0.1	+0.1	+3.9	-9.6	—	—	—	—
H.M. Treasury — Rating of Government	—	—	—	—	-1.2	—	—	—	—

28. Smaller Departments

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Table 28 (continued)

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Treasury Solicitor's Office	-	-	-	-	-0.1	-	-	-	-
Other	0.6	+1.0	-0.5	-	+0.1	-0.2	-	-	-
Total Changes from Cmnd. 7841 revalued	-0.1	+1.2	-0.4	+9.5	-43.1	-1.1	+0.1	+0.1	-2.8
Cmnd. 7841 revalued	1,301.5	1,225.9	1,206.4	1,202.2	1,273.6	1,278.9	1,279.8	1,242.0	1,237.3
Revised economic assumptions	-	-	-	-	-	-	-	-	-
Reduced requirements not included in the baseline:									
Cash limits squeeze in 1980-81:									
Civil service manpower and related expenditure						-17.6	-17.7	-17.5	-17.6
Other items						-4.0	-	-	-
Other reduced requirements						-1.9	-5.6	-4.7	-6.1
Total						-23.5	-23.3	-22.2	-23.7
Total additional bids net of offsetting savings							8.5	14.3	14.4
Total options for reductions							21.6	31.0	32.3

⁽¹⁾The House of Commons figures include expenditure by the PSA on works at the Palace of Westminster.

1. Cabinet Office

Progress is being made towards the reductions to which the Cabinet Office is already committed under the Lord President's Review. If the Department has to make additional reductions in expenditure in 1981-82 and later years these would entail further curtailment of the services provided by the Cabinet Secretariat, Central Policy Review Staff and the Central Statistical Office.

2. Central Office of Information (COI)

The COI is not making any additional bids but additional bids for publicity campaigns have been included in the programmes for the Ministry of Defence and the Departments of Transport and Energy. If these are agreed then the expenditure will be incurred through COI.

The reductions shown would entail a corresponding proportionate reduction in the expenditure on the publicity campaigns of all government departments.

3. Charity Commission

The additional bid of £0.1 million in 1981-82 covers computer expenditure. This is due to slippage in the programme for supplying the Charity Commission with a computer. It had originally been intended to supply the computer in 1980-81 and PES cover had been provided for that year, but this has had to be withdrawn.

The options for reductions would require the Charity Commission to reduce its functions and cut

back on its services. This would inevitably put it in breach of its statutory obligations and would therefore require legislation.

4. Civil Service Department

The reduced requirements arise on computers and telecommunication following the move to a repayment basis. These reductions have been used in part to fund a deficit on the programme for civil service catering services for the years 1980-81 to 1982-83 but an additional bid is still required for 1983-84 because of the anticipated transfer of committee-run restaurants to CISCO management.

The most feasible reductions would be (1) further abandonment of activities of the Civil Service College and (2) cuts in computer and telecommunications fee paid services and development studies. Coming on top of other current staff economies, such reductions would further limit the effectiveness of civil service training and would prejudice the ability of the Central Computer and Telecommunications Agency to obtain value for money in computer and telecommunications expenditure.

5. Commonwealth War Graves Commission

The UK makes a fixed percentage contribution to the Commission's expenditure. The cost of the UK contribution can therefore only be cut if total expenditure is reduced with the approval of all the participating Governments. The options for reductions would entail further staff savings which

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Following the large savings already made, would seriously affect the Commission's ability to maintain the Commonwealth war cemeteries, graves, and memorials as required by the participating Governments and would entail disproportionately higher costs in future years because of inadequate conservation.

6. Customs and Excise

The options for reductions consist of abolition of betting and gaming duties except on pool betting and jackpot machines; temporary laying up of part of the cutter fleet; reduction of manpower resources devoted to the collection of trade statistics and to the control of imports; restructuring of excise control on spirits, wine and beer and the compulsory deregistration of VAT traders below the statutory registration threshold. The options, which include contingency options in the Lord President's exercise, would involve considerable revenue loss, increased risk of smuggling, a serious deterioration in the quality and availability of statistics and adverse effects on traders.

7. Exchequer and Audit Department

As the functions of the Controller and Auditor General are independent of Ministers, no staff reductions have been required of the E & AD for the 1980-81 cash limit squeeze. To strengthen audit methods and management — in accordance with the recommendation of the 1978 Management Review — it is foreseen at present that there will be a continuing commitment over the forecast period for increases in staff but the position will be kept under review in the light of developments in audit methods and the effects of any contraction in public expenditure on audit requirements. Reductions in expenditure of 2% and 3% could only be made by reducing the scope and quality of the audit.

8. Registry of Friendly Societies

The options for reductions would entail some reduction in staff with a consequent effect on the level of service.

9. Government Actuary's Department

The department is not responsible for any expenditure other than on staff and general administrative expenses. A 2% reduction would mean 1 actuary fewer; 3% would mean the loss of a further actuary. The reductions would mean that some actuarial services to Government departments and other

organisations would have to be withheld or severely restricted.

10. House of Commons

The additional bid is for an increased grant in aid to the Members Fund to implement the TSRB recommendation that grants be paid as of right to pre-1964 MPs who are entitled to no Parliamentary pension. It is contingent upon legislation in the 1980-81 session. Options for reductions in most areas have not been provided. However, PSA expenditure on the Palace of Westminster has been included in the baseline and commensurate options for reductions are shown. The baseline figures after 1980-81 allow for expenditure of about £3.5 million a year on rent, maintenance and fuel, less than the current level of expenditure, with a small provision for new works, furniture and equipment. Any cut would have to fall on the latter and would make it difficult to meet essential requirements. The provisions beyond 1980-81 do not allow for further modernisation of the heating and ventilating system, for the Broad Sanctuary telephone exchange, or for smaller but important services such as security screens, fire precautions and new boilers.

11. House of Lords

There are no additional bids and no options for reductions have been provided.

12. Her Majesty's Stationery Office

An additional bid of £0.5 million a year has been made in respect of a subsidy for Parliamentary publications other than Hansard as it will not be possible to carry the cost of these publications without an unacceptable price increase.

The options for reductions would mean increases in the prices of Hansard, a reduction in the discount offered to Public Libraries, a loss to the trading fund and the deferment of investment in new plant and machinery.

13. Inland Revenue

The additional bids on tax and rate collection, which are supported by CSD, are necessitated by the purchase or hire of equipment for setting up a national computerised PAYE system which will eventually produce significant manpower savings. The system would entail similar expenditure in later years of the following order: £23 million in 1984-85, £42 million in 1985-86 and £9 million in 1986-87. In addition, there would be associated

accommodations costs on the PSA Vote. Included in the figure for 1981-82 is an additional bid of £0.1 million in respect of capital moneys needed for a tax office building at Catford which PSA are unable to provide. In response to a ministerial initiative Inland Revenue have agreed to provide this from offsetting savings elsewhere. The additional bids on post-war credits arise because the residual claims to repayment are continuing at a higher rate than anticipated. The expenditure is demand-determined and not subject to cash limits. There is no Vote. The additional bids are not supported by CSD who would propose to defer consideration until the 1981 survey when the situation will be clearer.

Options for reductions would stem from staff reductions largely as a result of legislative or fiscal changes. Changes in tax thresholds greater than those required under existing taxation provisions would save staff though at the cost of considerable loss of revenue. Apart from this, specific options include the extension of the PAYE machinery to replace existing arrangements for taxing fringe benefits and holiday pay, the abolition of tax relief on overseas earnings, and the termination of the arrangements for averaging farming profits for tax.

14. National Investment and Loans Office (NILO)

The NILO generates sufficient receipts to cover its operational costs. As regards NILO's gross spending the merger of the National Debt Office and the Public Works Loan Board on 1 April 1980 is planned to produce a saving of 22% on staff costs by 31 March 1982. For further reductions, a 2% saving (£0.010 million) would flow from the cessation of the Irish Land Purchase Vote, which would require legislation; additional savings, amounting to 3% overall (£0.015 million) would flow from ceasing to provide the Central Statistical Office with financial statistics on Trustee Savings Bonds. CSO however regard these figures as essential both for internal use and for their publications. In the case of NILO options for reductions would increase net revenue rather than reduce expenditure and therefore nil options are shown.

15. H.M. Land Registry

The options for reductions would fall on the capital building programme for new offices. This would affect the efficiency of the Land Registry's future operations.

16. National Savings Department

The option offered is for the nineteenth issue of savings certificates to be withdrawn from sale shortly after 31 March 1981. DNS state that this is the most feasible option they can identify. The full year saving from discontinuing this issue is £1.5 million approximately. Withdrawal of the issue soon after the beginning of the financial year 1981-82 would be involved (despite the required reduction for that year being only £1 million) in order to allow for an orderly run down of staff and to cope with any additional work arising from public reaction to the withdrawal. This option is costed to save £1.5 million; by contrast the nineteenth issue has brought in £471.5 million between its launching on 4 February 1980 and 9 May 1980. The option also involves not being able to make a future issue of saving certificates without replacing the staff envisaged as being dispensed with under this option. The retirement issue would not be affected.

The additional bid in the years 1981-82 and 1982-83 represents the salary costs of staff redeployed with CSD approval from the National Savings Bank (a self-funding organisation outside the survey) to Treasury-funded savings services administered by DNS. CSD support the additional bid.

17. Northern Ireland court service

The reduced requirement of £0.3 million in 1982-83 is due to slippage in the court building programme. The additional bid of £0.3 million in 1981-82 is for the acquisition of a site for a new court building. The effect of the options for reductions would cause a serious disruption of work in the numerous small working units throughout the service, and a steady buildup of a backlog of cases. It would also mean a decline in the maintenance of buildings.

18. Ordnance Survey

The additional bid of £0.6 million in 1983-84 is for a replacement computer. The exercise of the options would mean a reduction in the services which the Ordnance Survey Department could provide.

19. Office of the Parliamentary and Health Service Commissioners

As the Office of the Parliamentary Commissioner serves Parliament directly, it has been given

exemption from the 2% cash limits squeeze. The options for reductions would entail staff reductions. The volume of investigation work tends to be uneven. It is dependent on public demand.

20. Paymaster General's Office

There are additional bids of £1.6 million in 1981-82, £0.5 million in 1982-83 and £0.7 million in 1983-84. The work of the department is essentially demand-led and the growth in pension and banking work necessitates extra funds for computers and support services. Potential savings of £1 million a year are identified. These would be obtained by ceasing to pay pensions weekly. Progress on this option is linked with CSD's proposal to cease payment of wages weekly and to a lesser extent to the consideration being given by DHSS to the possibility of ending weekly payment of social security benefits.

21. Privy Council Office

The 2% reduction for this department will not be achieved by a manpower reduction but by a saving in their general administrative expenses.

The options for reductions would entail cuts in manpower which would affect efficiency.

22. Public Record Office

The additional bid of £0.6 million for 1981-82 is comprised of £0.5 million in respect of outstanding commitments involving contractual and extra-contractual expenditure for the construction of Public Record Office's building at Kew, and £0.1 million in respect of a new lift to be installed at the Department's Chancery Lane building. In the Treasury view the latter item could be postponed or foregone altogether. The options for reductions would fall on the services offered by the Public Record Office to the public. They would involve cutbacks in staff, equipment and facilities.

23. Public Trustee Office

The reduction in 1980-81 and consequential additional bid in 1981-82 reflect a slippage in computer expenditure. Reductions of £0.05 million a year over the survey period are the result of staff savings but any further reductions would not produce a net financial saving since income would fall commensurately.

24. Queen's & Lord Treasurer's Remembrancer

The additional bids are to meet forecast growth in the number of Crown Prosecutions over the years 1981-84.

The options for reductions are fixed penalties for certain road traffic offences and the introduction of administrative fines. Both would entail legislation outside the control of QLTR.

25. Office of Fair Trading

The option for a 2% (£70,000) reduction in the 1981-82 programme would involve closing OFT's Edinburgh Office and would undoubtedly bring forth strong protests from Scottish consumer interests. Four posts in London would have to be given up as well.

The option for a 3% (£105,000) reduction in the 1982-83 programme and later years would involve giving up another post and savings would have to be made in overseas travel and on miscellaneous publicity. The OFT would no longer be able to represent the United Kingdom at certain international meetings or carry out properly certain of the statutory functions it is expected to perform.

26. Office of Population Censuses and Surveys

Reductions of 2% in 1981-82 and 3% in each of the later years would yield savings of £0.8 million, £0.5 million and £0.4 million respectively. They would threaten the ability to carry out the 1981 Census and seriously reduce other services.

The additional bid, which CSD supports, includes £0.1 million in years 1982-83 and 1983-84 for computer staff, and a timing change of £0.1 from 1981-82 to 1982-83 for Ordnance Survey services.

27. Treasury (administration, note issue etc.)

Around 80% of this expenditure is in respect of payments to the Bank of England for services carried out on behalf of the Government and to the Royal Mint for the production of UK coinage. The Bank are examining the scope for reducing the cost of their services but it is too early to say what savings may result. The additional bid represents capital expenditure by the Bank in relocating the Registrar's department which should ultimately reduce the costs of debt management. The costs of producing coins for circulation in the UK are more than covered by receipts representing the face value

of the coins which are paid direct into the Consolidated Fund. Expenditure on running the Treasury and its sub-departments is all staff-related; full account has been taken of all the exercises to reduce staff costs. Any significant reductions in the base-line figures could only be attained by reducing the Treasury's capacity to respond speedily with accurate advice on the financial and economic issues which come before Government.

28. Treasury (Rating of Government Property Department)

Administrative expenditure is included in programme 13. This programme provides for the rate contributions on Crown premises occupied by Exchequer Departments and for the Government's obligations under various treaties etc in respect of rates on premises occupied by international organisations and foreign and Commonwealth governments for diplomatic and military purposes. There are no options for reductions within the administrative responsibility of RGPD but reductions in other programmes which resulted in the vacation and disposal of property held by the Crown would generate consequential savings in this programme.

29. Treasury Solicitor's Department

A reduction in 1981-82 is on criminal costs and fees by the DPP and the additional bid of £0.1 million in the same year is to meet the outstanding costs of the Crown Agents Enquiry which is likely to finish towards the end of 1980-81. Further reductions of £0.1 million in 1981-82 and 1983-84 are in respect of lower staff costs.

The expenditure by the Treasury Solicitor is demand determined and it would not be possible to make the option reductions without either legislation or the reduction of services rendered to client departments.

Detail of reduced requirements
£ million at 1980 survey prices

	80-81	81-82	82-83	83-84
Cabinet Office	0.1	0.1	0.1	0.1
COI	0.2	0.2	0.2	0.2
Charity Commission	0.1	0.1	0.1	0.1
Civil Service Dept.				
Cash limits—manpower	0.5	0.5	0.5	0.5
Other	0.2	1.5	1.3	—

	£ million			
	80-81	81-82	82-83	83-84
Commonwealth War Graves Commission	—	—	—	—
Customs & Excise				
Cash limits—manpower	4.2	4.2	4.2	4.2
Cash limits—other	1.1	—	—	—
Exchequer & Audit Dept.	—	—	—	—
Friendly Societies				
Registry	0.02	0.02	0.02	0.02
Govt. Actuary's Dept.	0.015	0.015	0.015	0.015
House of Commons	—	—	—	—
House of Lords	—	—	—	—
HMSO	—	—	—	—
Inland Revenue				
Cash limits—manpower	9.8	9.8	9.8	9.8
Cash limits—other	2.9	—	—	—
Other	—	3.5	2.6	5.0
Investment & Loans				
Office	—	0.012	0.012	0.012
Land Registry	0.6	0.6	0.6	0.6
National Savings Dept.				
Cash limits—manpower	0.6	0.6	0.6	0.6
Other	—	—	—	0.7
Northern Ireland Court Service				
Other	—	—	0.3	—
Ordnance Survey	0.5	0.5	0.5	0.5
Parliamentary Commissioner	—	—	—	—
Paymaster General's Office	0.1	0.1	0.1	0.1
Privy Council Office	0.008	0.008	0.008	0.008
Public Record Office	0.055	0.055	0.055	0.055
Public Trustee				
Cash limits—manpower	0.05	0.05	0.05	0.05
Other	0.15	—	—	—
Queens's & Lord Treasurer's Remembrancer	—	—	—	—
Office of Fair Trading	0.1	0.1	0.1	0.1
Office of Population Censuses & Surveys				
Cash limits—manpower	0.3	0.3	0.3	0.3
Other	1.0	0.1	—	—
HM Treasury (administration, note issue—etc)				
Cash limits—manpower	0.2	0.2	0.2	0.2
Other	0.7	0.5	0.5	0.4
HM Treasury (rating of Govt. Property Dept.)	—	—	—	—
Treasury Solicitor's Dept.	—	0.2	—	0.1
Total (rounded)	23.5	23.3	22.2	23.7

Note:

All reduced requirements are the result of the 2% Cash Limit squeeze on manpower unless otherwise stated.

Detail of additional bids net of offsetting savings

Details of options for reductions

£ million at 1980 survey prices

£ million at 1980 survey prices

	81-82	82-83	83-84		81-82	82-83	83-84
Cabinet Office	—	—	—	Cabinet Office	0.2	0.2	0.2
COI	—	—	—	COI	0.6	0.9	0.9
Charity Commission	0.1	—	—	Charity Commission	0.1	0.1	0.1
Civil Service Department	—	—	0.6	Civil Service Department	0.7	1.0	0.9
Commonwealth War Graves Commission	—	—	—	Commonwealth War Graves Commission	0.1	0.2	0.2
Customs & Excise	—	—	—	Customs & Excise	4.0	6.0	7.6
Exchequer & Audit Department	—	—	—	Exchequer & Audit Department	0.1	0.1	0.1
Friendly Societies Registry	—	—	—	Friendly Societies Registry	0.018	0.026	0.026
Government Actuary's Department	—	—	—	Government Actuary's Department	0.014	0.022	0.022
House of Commons	0.1	0.2	0.2	House of Commons (works at Palace of Westminster).	0.1	0.1	0.1
House of Lords	—	—	—	House of Lords	—	—	—
HMSO	0.5	0.5	0.5	HMSO	0.2	0.3	0.3
Inland Revenue costs of computerisation of PAYE	1.3	5.4	6.3	Inland Revenue	8.8	13.1	13.1
Post-war credits	0.4	0.4	0.4	Investment & Loan Office	—	—	—
Investment & Loans Office	—	—	—	Land Registry	0.7	1.1	1.1
Land Registry	—	—	—	National Savings Department	1.0	1.5	1.5
National Savings Department*	0.6	0.2	—	Northern Ireland Court Service	0.1	0.2	0.2
Northern Ireland Court Service	0.3	—	—	Ordnance Survey	0.3	0.4	0.4
Ordnance Survey	—	—	0.6	Parliamentary Commissioner	0.019	0.029	0.029
Parliamentary Commissioner	—	—	—	Paymaster General's Office	1.0	1.0	1.0
Paymaster General's Office*	1.6	0.5	0.7	Privy Council Office	0.010	0.015	0.015
Privy Council Office	—	—	—	Public Record Office	0.05	0.066	0.066
Public Record Office	—	—	—	Public Trustee	—	—	—
costs of Kew building	0.5*	—	—	Queen's & Lord Treasurer's Remembrancer	0.1	0.2	0.2
installation of lift at Chancery Lane	0.1	—	—	Office of Fair Trading	0.07	0.105	0.105
Public Trustee	0.2	—	—	Office of Population Censuses and Surveys	0.8	0.5	0.4
Queen's & Lord Treasurer's Remembrancer*	0.2	0.4	0.7	HM Treasury (administration, note issue, etc)	2.3	3.5	3.4
Office of Fair Trading	—	—	—	HM Treasury—(Rating of Govt. Property Department)	—	—	—
Office of Population Censuses & Surveys*	—	0.2	0.1	Treasury Solicitors Dept.	0.2	0.3	0.3
HM Treasury (administration, note issue, etc)	2.5	6.5	4.3				
HM Treasury—RGPD	—	—	—				
Treasury Solicitor's Department*	0.1	—	—				
Total (rounded)	8.5	14.3	14.4	Total (rounded)	21.6	31.0	32.3

*Indicates items which departments and the Treasury agree are for the maintenance of standards in existing plans.
 *The * is in respect of £0.5 million of the additional bid totalling £4.4 million.

ANNEX A

Survey baseline by department, by programme and by economic category

(i) Survey baseline by department

£ million at 1980 survey prices

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
1. Ministry of Defence	9,024.5	9,238.9	9,613.0	9,942.1	10,240.7	10,543.1
2. Foreign and Commonwealth Office (Overseas Development Administration)	860.8	834.9	864.7	815.9	758.8	758.5
3. Foreign and Commonwealth Office (excluding ODA)	335.0	358.2	345.0	340.8	338.5	337.1
4. EEC Budget	774.5	1,008.5	1,024.5	1,138.8	1,321.6	1,532.2
5. Intervention Board for Agriculture Produce	386.3	334.5	374.4	401.5	401.6	401.6
6. Ministry of Agriculture, Fisheries and Food	538.6	613.0	588.9	545.5	495.8	446.5
7. Forestry Commission	59.4	68.0	65.1	68.6	69.4	69.4
8. Department of Industry	1,264.1	1,103.4	1,280.1	912.2	675.4	593.4
9. Department of Energy	449.8	445.7	492.1	477.5	387.8	342.9
10. Department of Trade	189.1	207.5	215.1	179.4	165.8	164.2
11. Export Credits Guarantee Department	384.1	-61.2	21.0	21.1	-114.0	-169.2
12. Department of Employment	1,196.3	1,229.5	1,268.3	1,165.7	1,050.9	1,018.8
13. Department of Transport	2,913.0	2,992.8	2,867.2	2,753.2	2,677.5	2,677.1
14. Department of the Environment (Housing)	4,717.9	4,800.1	4,069.3	3,223.3	2,694.5	2,373.6
15. Department of the Environment (Property Services Agency)	390.6	365.3	348.4	340.6	318.0	318.6
16. Department of the Environment (excluding Housing and PSA)	3,042.9	2,910.0	2,855.5	2,756.8	2,668.2	2,653.5
17. Home Office	2,371.0	2,450.2	2,571.9	2,623.4	2,677.5	2,707.7
18. Lord Chancellor's Department	200.1	221.4	246.3	273.9	292.1	305.0
19. Department of Education and Science	8,755.1	8,952.0	8,513.0	8,314.2	8,160.2	7,967.6
20. Office of Arts and Libraries	391.7	395.9	380.8	368.7	363.5	363.6
21. Department of Health and Social Security (Health and Personal Social Services)	9,016.2	9,011.4	9,115.9	9,141.1	9,309.5	9,394.5
22. Department of Health and Social Security (Social Security)	18,643.6	19,105.1	19,750.2	20,241.4	19,919.2	20,060.7
23. Civil Service Department (Civil Superannuation)	467.6	507.6	538.0	586.5	623.4	664.9
24. Scotland	4,457.0	4,502.2	4,412.5	4,291.0	4,199.6	4,138.1
25. Wales	1,752.6	1,715.3	1,739.8	1,679.0	1,630.2	1,597.1
26. Northern Ireland	2,476.9	2,463.2	2,406.3	2,377.7	2,332.0	2,325.4
27. Other Departments	1,211.7	1,230.5	1,277.8	1,279.9	1,242.1	1,234.5
28. Government lending to nationalised industries	812.0	1,700.0	856.0	204.0	-233.0	-657.0
29. V.A.T payments by local authorities	339.0	320.0	324.2	320.5	317.7	313.9
30. Total	77,421.4	79,023.9	78,425.3	76,784.3	74,984.5	74,477.3
31. Debt interest	2,785.0	3,572.0	3,700.0	3,700.0	3,500.0	3,200.0
32. Contingency reserve	-	-	1,083.9	1,263.5	1,619.1	2,118.4
33. Total public expenditure	80,206.4	82,595.9	83,209.2	81,747.8	80,103.6	79,795.7
34. Nationalised industries' overseas and market borrowing	523.0	-198.0	-100.0	-350.0	-400.0	-600.0
35. Special sales of assets	-	-998.0	-500.0	-45.0	-9.0	-101.0
36. General allowances for shortfall	-	-	-1,120.0	-840.0	-840.0	-840.0
37. Planning after shortfall (lines 30, 32, 34, 35 and 36)	77,944.4	77,827.9	77,789.2	76,812.8	75,354.6	75,054.7

(ii) Survey baseline by programme

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
1. Defence	9,433.8	9,285.4	9,080.2	9,024.5	9,238.9	9,613.0	9,942.1	10,240.7	10,543.1
2. Overseas aid and other overseas services	1,175.7	1,405.8	1,903.8	2,021.1	2,249.8	2,290.3	2,351.6	2,473.6	2,682.5
3. Agriculture, fisheries, food and forestry	2,412.1	1,489.8	1,141.7	945.9	987.2	955.1	1,008.6	982.3	962.0
4. Trade, industry, energy and employment	4,754.8	4,311.9	2,849.3	3,613.9	3,061.3	3,443.8	2,919.9	2,316.6	2,104.5
5. Government lending to nationalised industries	1,714.0	415.0	-281.0	812.0	1,700.0	856.0	204.0	-233.0	-657.0
6. Roads and transport	4,635.4	4,166.1	3,594.5	3,526.2	3,607.0	3,463.7	3,312.9	3,207.9	3,205.4
7. Housing	7,320.0	7,000.4	6,074.1	5,696.8	5,775.9	4,957.6	3,984.7	3,374.6	2,963.3
8. Other environmental services	4,535.4	4,139.6	3,997.7	4,085.3	3,965.7	3,921.9	3,738.0	3,588.8	3,537.0
9. Law, order and protective services	2,813.5	2,872.0	2,798.5	2,829.1	2,965.6	3,109.0	3,194.7	3,270.3	3,318.2
10. Education and science, arts and libraries	10,973.4	10,924.8	10,507.9	10,684.1	10,819.7	10,371.9	10,133.4	9,949.2	9,732.7
11. Health and personal social services	10,360.0	10,469.1	10,537.1	10,833.2	10,822.1	10,963.7	11,016.5	11,229.7	11,333.3
12. Social security	15,737.2	16,246.5	17,093.4	18,643.6	19,105.1	19,750.2	20,241.4	19,919.2	20,060.7
13. Other public services	1,282.8	1,207.9	1,166.9	1,157.3	1,171.4	1,211.5	1,211.2	1,167.5	1,153.3
14. Common services	1,092.2	1,110.6	1,082.3	1,071.5	1,091.0	1,111.3	1,147.6	1,165.1	1,212.9
15. Northern Ireland	2,317.7	2,319.1	2,292.4	2,476.9	2,463.2	2,406.3	2,377.7	2,332.0	2,325.4
16. Total programmes	80,558.0	77,364.0	73,838.8	77,421.4	79,023.9	78,425.3	76,784.3	74,984.5	74,477.3
17. Debt interest	1,580.0	2,055.0	2,389.0	2,785.0	3,572.0	3,700.0	3,700.0	3,500.0	3,200.0
18. Contingency reserve	-	-	-	-	-	1,083.9	1,263.5	1,619.1	2,118.4
19. Total public expenditure	82,138.0	79,419.0	76,227.8	80,206.4	82,595.9	83,209.2	81,747.8	80,103.6	79,795.7
20. Nationalised industries' overseas and market borrowing	910.0	1,851.0	1,189.0	523.0	-198.0	-100.0	-350.0	-400.0	-600.0
21. Special sales of assets	-	-	-697.0	-	-998.0	-500.0	-45.0	-9.0	-101.0
22. General allowance for shortfall	-	-	-	-	-	-1,120.0	-840.0	-840.0	-840.0
23. Planning total (lines 16, 18, 20, 21 and 22)	81,468.0	79,215.0	74,330.8	77,944.4	77,827.9	77,789.2	76,812.8	75,354.6	75,054.7

(iii) Survey baseline by economic category

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
Goods and Services						
1. Wages and salaries	23,319.7	23,510.8	23,531.9	23,880.0	24,200.6	24,091.0
2. Other current expenditure	15,332.8	15,017.4	14,754.0	15,135.1	15,261.0	15,620.6
3. Capital expenditure	10,482.9	9,657.9	7,946.9	7,054.9	6,535.2	5,978.3
Total goods and services	49,135.4	48,186.1	46,232.8	46,070.0	45,996.8	45,689.9
Transfers						
4. Current grants to persons	16,828.5	17,411.5	18,486.2	20,156.6	20,879.0	21,663.3
5. Other current grants	2,036.8	2,394.4	2,641.7	2,926.2	3,111.0	3,177.5
6. Subsidies	6,050.4	5,266.1	4,285.0	4,548.8	4,843.1	4,424.3
7. Capital transfers	6,506.9	4,105.9	2,193.1	3,719.8	4,194.0	3,470.3
Total transfers	31,422.6	29,177.9	27,606.0	31,351.4	33,027.1	32,735.4
Total	80,558.0	77,364.0	73,838.8	77,421.4	79,023.9	78,425.3
Debt interest	1,580.0	2,055.0	2,389.0	2,785.0	3,572.0	3,700.0
Contingency reserve	—	—	—	—	—	1,083.9
Total public expenditure	82,138.0	79,419.0	76,227.8	80,206.4	82,595.9	83,209.2

ANNEX B

Changes to expenditure since Cmnd. 7841

£ million at 1980 survey prices

	1979-80	1980-81	1981-82	1982-83	1983-84
Agreed debits on contingency reserve					
1. Announced changes:					
Assistance with fuel costs (27.3.80 Hansard; cols 1661-1662)					
DHSS	—	18.1	50.8	52.2	52.9
Northern Ireland	—	1.4	—	—	—
Mobility allowance — DHSS (27.3.80 Hansard; col 1658)	—	1.0	4.0	4.0	4.0
Family income supplement — DHSS (27.3.80 Hansard; col 1658)	—	0.6	3.6	3.6	3.6
Mobility allowance and family income supplement — Northern Ireland (27.3.80 Hansard; col 1658)	—	1.0	1.4	1.4	1.4
Homes insulation scheme (28.3.80 Hansard; Written Answer: col 681)					
Housing	—	4.7	—	—	—
Northern Ireland	—	0.1	—	—	—
Aid to Zimbabwe (15.4.80 House of Lords)					
F.C.O. (ODA)	—	7.2	5.8	—	—
2. Unannounced changes:					
Loan for National Dock Labour Board					
— Dept of Employment	—	2.0	—	—	—
Redundancy Fund — rebate increase — Dept of Employment	—	—	20.9	19.7	19.7
Total agreed debits	—	36.1	86.5	80.9	81.6
Other changes					
Defence	—49.6	—1.8	1.5	4.5	3.0
Overseas aid and other overseas services	50.8	—8.7	—2.0	—2.2	—1.2
Agriculture, fisheries, food and forestry	—35.5	3.9	—0.3	—	—
Trade, industry, energy and employment	—354.6	—3.9	4.8	—0.7	—11.2
Govt. lending to nationalised industries	—518.0	—	—7.0	—9.0	—
Roads and transport	—47.2	3.0	—	—	—
Housing	—6.9	—	—	—	—
Other environmental services	—29.8	—13.5	—14.2	—13.7	—13.7
Law, order and protective services	—31.3	—0.7	—0.3	—1.4	—0.1
Education and science arts and libraries	—34.1	—0.1	—1.0	—0.1	—0.3
Health and personal social services	13.4	0.1	—	0.2	—
Social security	—166.9	—0.6	—0.3	—0.7	—0.4
Other public services	—35.0	—1.1	0.1	0.1	—2.8
Common services	—15.1	0.1	—	—	—
Northern Ireland	1.6	—0.1	—0.1	—0.3	—0.3
Total	—1,258.2	—23.4	—18.8	—23.3	—27.0
Total programme changes	—1,258.2	12.7	67.7	57.6	54.6

Cmnd.7841 revalued by department

£ million at 1980 survey prices

	1979-80	1980-81	1981-82	1982-83	1983-84
1. Ministry of Defence	9,288.5	9,614.8	9,940.6	10,236.2	10,540.1
2. Foreign and Commonwealth Office (Overseas Development Administration)	851.9	865.6	810.1	758.8	758.0
3. Foreign and Commonwealth Office (excluding ODA)	373.0	345.6	342.8	340.7	338.0
4. EEC Budget	918.6	1,024.5	1,138.8	1,321.6	1,532.2
5. Intervention Board for Agricultural Produce	349.9	373.1	401.5	401.6	401.6
6. Ministry of Agriculture, Fisheries and Food	645.7	601.5	558.7	509.0	459.7
7. Forestry Commission	72.8	66.2	68.9	69.4	69.4
8. Department of Industry	1,322.3	1,280.3	907.2	671.1	596.4
9. Department of Energy	528.5	492.3	477.5	393.2	351.4
10. Department of Trade	210.0	214.0	179.4	165.8	164.2
11. Export Credits Guarantee Department	-68.3	21.0	21.1	-114.0	-169.2
12. Department of Employment	1,259.4	1,268.1	1,145.2	1,031.2	999.1
13. Department of Transport	3,034.5	2,867.2	2,753.2	2,677.5	2,677.1
14. Department of the Environment (housing)	4,765.5	4,065.3	3,223.3	2,694.5	2,373.6
15. Department of the Environment (Property Services Agency)	372.4	348.3	340.6	318.0	318.6
16. Department of the Environment (excluding housing and PSA)	2,896.5	2,855.5	2,757.6	2,668.2	2,653.9
17. Home Office	2,475.4	2,571.9	2,623.4	2,677.5	2,707.7
18. Lord Chancellor's Department	225.2	246.4	273.9	293.3	305.0
19. Department of Education and Science	8,901.0	8,512.9	8,314.4	8,160.3	7,967.9
20. Office of Arts and Libraries	404.6	381.0	369.5	363.5	363.6
21. Department of Health and Social Security (health and personal social services)	9,001.5	9,116.2	9,141.5	9,309.7	9,394.9
22. Department of Health and Social Security (social security)	19,272.0	19,731.1	20,183.3	19,860.1	20,000.6
23. Civil Service Department (civil superannuation)	509.3	538.0	586.5	623.4	664.9
24. Scotland	4,587.3	4,410.3	4,290.9	4,199.5	4,138.0
25. Wales	1,811.5	1,738.5	1,679.0	1,630.2	1,597.1
26. Northern Ireland	2,461.6	2,403.9	2,376.4	2,330.9	2,324.3
27. Other Departments	1,273.6	1,278.9	1,279.8	1,242.0	1,237.3
28. Government lending to nationalised industries	2,218.0	856.0	211.0	-224.0	-657.0
29. VAT payments by local authorities	320.0	324.2	320.5	317.7	313.9
30. Total	80,282.1	78,412.6	76,716.6	74,926.9	74,422.7
31. Debt interest	3,300.0	3,500.0	3,500.0	3,300.0	3,000.0
32. Contingency reserve	93.0	1,120.0	1,350.0	1,700.0	2,200.0
33. Total public expenditure	83,675.1	83,032.6	81,566.6	79,926.9	79,622.7
34. Nationalised industries' overseas and market borrowing	-703.0	-100.0	-300.0	-350.0	-600.0
35. Special sales of assets	-1,050.0	-500.0	-50.0	-50.0	-50.0
36. General allowance for shortfall	-280.0	-1,120.0	-840.0	-840.0	-840.0
37. Planning total after shortfall (lines 30, 32, 34, 35 and 36)	78,342.1	77,812.6	76,876.6	75,386.9	75,132.7

Changes since Cmnd. 7841 by department

£ million at 1980 survey prices

	1979-80	1980-81	1981-82	1982-83	1983-84
1. Ministry of Defence	-49.6	-1.8	1.5	4.5	3.0
2. Foreign and Commonwealth Office (Overseas Development Administration)	-17.0	-0.9	5.8	-	-
3. Foreign and Commonwealth Office (excluding ODA)	-14.8	-0.6	-2.0	-2.2	-1.2
4. EEC Budget	89.9	-	-	-	-
5. Intervention Board for Agricultural Produce	-15.4	1.3	-	-	-
6. Ministry of Agriculture, Fisheries and Food	-32.7	-12.6	-13.2	-13.2	-13.2
7. Forestry Commission	-4.8	-1.1	-0.3	-	-
8. Department of Industry	-218.9	-0.2	5.0	4.3	-3.0
9. Department of Energy	-82.8	-0.2	-	-5.4	-8.5
10. Department of Trade	-2.5	1.1	-	-	-
11. Export Credits Guarantee Department	7.1	-	-	-	-
12. Department of Employment	-29.9	0.2	20.5	19.7	19.7
13. Department of Transport	-41.7	-	-	-	-
14. Department of the Environment (housing)	34.6	4.0	-	-	-
15. Department of the Environment (Property Services Agency)	-7.1	0.1	-	-	-
16. Department of the Environment (excluding housing and PSA)	13.5	-	-0.8	-	-
17. Home Office	-25.2	-	-	-	-
18. Lord Chancellor's Department	-3.8	-0.1	-	-1.2	-
19. Department of Education and Science	51.0	0.1	-0.2	-0.1	-0.3
20. Office of Arts and Libraries	-8.7	-0.2	-0.8	-	-
21. Department of Health and Social Security (health and personal social services)	9.9	-0.3	-0.4	-0.2	-0.4
22. Department of Health and Social Security (social security)	-166.9	19.1	58.1	59.1	60.1
23. Civil Service Department (civil superannuation)	-1.7	-	-	-	-
24. Scotland	-85.1	2.2	0.1	0.1	0.1
25. Wales	-96.2	1.3	-	-	-
26. Northern Ireland	1.6	2.4	1.3	1.1	1.1
27. Other Departments	-43.1	-1.1	0.1	0.1	-2.8
28. Government lending to nationalised industries	-518.0	-	-7.0	-9.0	-
29. VAT payments by local authorities	-	-	-	-	-
30. Total	-1,258.2	12.7	67.7	57.6	54.6
31. Debt interest	272.0	200.0	200.0	200.0	200.0
32. Contingency reserve	-93.0	-36.1	-86.5	-80.9	-81.6
33. Total public expenditure	-1,079.2	176.6	181.2	176.7	173.0
34. Nationalised industries' overseas and market borrowing	505.0	-	-50.0	-50.0	-
35. Special sales of assets	52.0	-	5.0	41.0	-51.0
36. General allowance for shortfall	280.0	-	-	-	-
37. Planning total after shortfall (lines 30, 32, 34, 35 and 36)	-514.2	-23.4	-63.8	-32.3	-78.0

Cmnd. 7841 revalued by main programme

£ million at 1980 survey prices

	1979-80	1980-81	1981-82	1982-83	1983-84
1. Defence	9,288.5	9,614.8	9,940.6	10,236.2	10,540.1
2. Overseas aid and other overseas services	2,199.0	2,291.8	2,347.8	2,475.8	2,683.7
3. Agriculture, fisheries, food and forestry	1,022.7	951.2	1,008.9	982.3	962.0
4. Trade, industry, energy and employment	3,415.9	3,445.7	2,894.2	2,297.6	2,096.0
5. Government lending to nationalised industries	2,218.0	856.0	211.0	-224.0	-657.0
6. Roads and transport	3,654.2	3,460.7	3,312.9	3,207.9	3,205.4
7. Housing	5,782.8	4,952.9	3,984.7	3,374.6	2,963.3
8. Other environmental services	3,995.5	3,935.4	3,752.2	3,602.5	3,550.7
9. Law, order and protective services	2,996.9	3,109.7	3,195.0	3,271.7	3,318.3
10. Education and science, arts and libraries	10,853.8	10,372.0	10,134.4	9,949.3	9,733.0
11. Health and personal social services	10,808.7	10,963.6	11,016.5	11,229.5	11,333.5
12. Social security	19,272.0	19,731.1	20,183.3	19,860.1	20,000.6
13. Other public services	1,206.4	1,212.6	1,211.1	1,167.4	1,156.1
14. Common services	1,106.1	1,111.2	1,147.6	1,165.1	1,212.9
15. Northern Ireland	2,461.6	2,403.9	2,376.4	2,330.9	2,324.3
16. Total programmes	80,282.1	78,412.6	76,716.6	74,926.9	74,422.7
17. Debt interest	3,300.0	3,500.0	3,500.0	3,300.0	3,000.0
18. Contingency reserve	93.0	1,120.0	1,350.0	1,700.0	2,200.0
19. Total public expenditure	83,675.1	83,032.6	81,566.6	79,926.9	79,622.7
20. Nationalised industries' overseas and market borrowing	-703.0	-100.0	-300.0	-350.0	-600.0
21. Special sales of assets	-1,050.0	-500.0	-50.0	-50.0	-50.0
22. General allowance for shortfall	-280.0	-1,120.0	-840.0	-840.0	-840.0
23. Planning total after shortfall (lines 16, 18, 20, 21 & 22)	78,342.1	77,812.6	76,876.6	75,386.9	75,132.7

Changes since Cmnd. 7841 by main programme

£ million at 1980 survey prices

	1979-80	1980-81	1981-82	1982-83	1983-84
1. Defence	-49.6	-1.8	1.5	4.5	3.0
2. Overseas aid and other overseas services	50.8	-1.5	3.8	-2.2	-1.2
3. Agriculture, fisheries, food and forestry	-35.5	3.9	-0.3	-	-
4. Trade, industry, energy and employment	-354.6	-1.9	25.7	19.0	8.5
5. Government lending to nationalised industries	-518.0	-	-7.0	-9.0	-
6. Roads and transport	-47.2	3.0	-	-	-
7. Housing	-6.9	4.7	-	-	-
8. Other environmental services	-29.8	-13.5	-14.2	-13.7	-13.7
9. Law, order and protective services	-31.3	-0.7	-0.3	-1.4	-0.1
10. Education and science, arts and libraries	-34.1	-0.1	-1.0	-0.1	-0.3
11. Health and personal social services	13.4	0.1	-	0.2	-
12. Social security	-166.9	19.1	58.1	59.1	60.1
13. Other public services	-35.0	-1.1	0.1	0.1	-2.8
14. Common services	-15.1	0.1	-	-	-
15. Northern Ireland	1.6	2.4	1.3	1.1	1.1
16. Total programmes	-1,258.2	12.7	67.7	57.6	54.6
17. Debt interest	272.0	200.0	200.0	200.0	200.0
18. Contingency reserve	-93.0	-36.1	-86.5	-80.9	-81.6
19. Total public expenditure	-1,079.2	176.6	181.2	176.7	173.0
20. Nationalised industries' overseas and market borrowing	505.0	-	-50.0	-50.0	-
21. Special sales of assets	52.0	-	5.0	41.0	-51.0
22. General allowance for shortfall	280.0	-	-	-	-
23. Planning total after shortfall (lines 16, 18, 20, 21 & 22)	-514.2	-23.4	-63.8	-32.3	-78.0

ANNEX C

Effect of revised economic assumptions
1980-81 to 1983-84

£ million at 1980 survey prices

	1980-81	1981-82	1982-83	1983-84
<u>MAFF (including DAFS and WOAD)</u>				
Agricultural subsidies	-1.6	-1.1	-0.7	-1.0
Total	-1.6	-1.1	-0.7	-1.0
<u>Department of Industry</u>				
Assistance to industry in assisted areas	-1.3	-1.5	-1.3	-0.5
Assistance to individual industries	-4.3	-4.0	-1.7	-1.5
National Enterprise Board	-5.4	-4.5	-0.3	-0.4
Rolls Royce	-10.2	-	-0.6	0.1
Refinancing of home shipbuilding	1.0	2.0	1.0	2.0
Interest support costs	-3.7	-9.9	0.1	0.9
Assistance to shipbuilding	-2.0	-1.3	-1.0	-0.5
Total	-25.9	-19.2	-3.8	0.1
<u>ECGD</u>				
Interest support costs	24.0	-18.0	18.0	-10.0
Total	24.0	-18.0	18.0	-10.0
<u>DOE - Housing*</u>				
General housing subsidies	31.0	-	8.0	-19.0
Option mortgage subsidy	37.0	-25.0	-60.0	-42.0
Total	68.0	-25.0	-52.0	-61.0
<u>DHSS - Health and personal social services (total)</u>				
	-	3.1	3.1	3.2
<u>DHSS - Social security</u>				
Revised economic assumptions	-180.0	26.0	29.0	35.0
Demographic changes	-141.0	-52.0	70.0	-39.0
Total	-321.0	-26.0	99.0	-4.0
<u>Scotland (excluding DAFS)</u>				
Selective financial assistance	-0.8	-0.5	-0.4	-0.2
General housing subsidies	4.5	-6.3	-5.3	-10.1
Health and personal social services	0.4	0.4	0.4	0.4
Total	4.1	-6.4	-5.3	-9.9
<u>Wales (excluding WOAD)</u>				
Selective financial assistance	-0.3	-0.3	-0.3	-0.1
General housing subsidies	1.2	-0.5	0.2	-2.5
Option mortgage subsidy	1.1	-1.0	-2.3	-1.6
Health and personal social services	0.2	0.3	0.3	0.3
Total	2.2	-1.5	-2.1	-3.9
<u>Northern Ireland</u>				
General housing subsidies	1.4	0.2	1.3	3.8
Social security benefits	-3.5	8.2	11.6	9.8
Other	-	-0.5	-	-
Total	-2.1	7.9	12.9	13.6
GRAND TOTAL	-252.3	-86.2	69.1	-72.9

*These figures are based on a notional Treasury assumption about the breakdown of the single line for housing. The treatment of option mortgage subsidy is under discussion; for the purposes of this table it is as the Treasury have proposed to the department.

ANNEX D

Cash limits squeeze in 1980-81

Departments have supplied the following estimates of the volume reductions in central government expenditure and in the capital expenditure of local authorities and certain other bodies expected to result from the operation of the cash limits set for 1980-81.

2. On the basis of the forecast published in the Financial Statement and Budget Report the Treasury estimate of the volume squeeze in 1980-81 was about £500 million at 1979 survey prices. This figure was mentioned in the Budget

statement; it is equivalent to about £550 million at 1980 survey prices. The estimates supplied by Departments at 1980 survey prices for 1980-81 amount to £426 million.

3. The figures in the table below distinguish the 2½% civil service manpower costs squeeze ("pay") from "other" elements of the overall squeeze in 1980-81. The figures for later years represent the continuation of this year's 2½% civil service manpower costs squeeze.

Estimated volume squeeze 1980-81 to 1983-84

£ million at 1980 survey prices

Department		1980-81	1981-82	1982-83	1983-84
Defence	pay	33.0	—	—	—
	other	142.0	—	—	—
FCO — ODA	pay	0.3	0.3	0.3	0.3
	other	8.1	—	—	—
FCO — other	pay	1.7	1.7	1.7	1.7
	other	—	—	—	—
IBAP	pay	0.2	0.1	0.1	0.1
	other	—	—	—	—
MAFF (including DAFS and WOAD)	pay	3.2	3.2	3.2	3.2
	other	—	—	—	—
Forestry Commission	pay	0.4	0.4	0.4	0.4
	other	1.2	—	—	—
Industry	pay	1.4	1.5	1.5	1.4
	other	6.5	—	—	—
Energy	pay	0.2	0.2	0.2	0.2
	other	12.5	—	—	—
Trade	pay	1.2	1.2	1.1	1.1
	other	—	—	—	—
ECGD	pay	—	—	—	—
	other	—	—	—	—
Employment	pay	5.1	5.1	5.1	5.1
	other	9.5	—	—	—
Transport	pay	2.0	2.0	2.0	2.0
	other	18.0	—	—	—
DOE — housing	pay	—	—	—	—
	other	25.0	—	—	—
DOE — PSA	pay	1.9	1.9	1.9	1.9
	other	7.9	—	—	—
DOE — other	pay	1.3	1.3	1.3	1.3
	other	29.3	—	—	—
Home Office	pay	2.0	2.0	2.0	2.0
	other	6.0	—	—	—
Lord Chancellor's Department	pay	0.2	0.2	0.2	0.2
	other	—	—	—	—
DES	pay	2.0	2.0	2.0	2.0
	other	—	—	—	—
OAL	pay	1.0	1.0	1.0	1.0
	other	—	—	—	—
DHSS { Health and PSS } { Social Security }	pay	11.0	11.0	11.0	11.0
	other	—	—	—	—
CSD — Civil superannuation	pay	—	—	—	—
	other	—	—	—	—
Scottish Office (excluding DAFS)	pay	0.8	0.7	0.7	0.7
	other	40.0	—	—	—
Welsh Office (excluding WOAD)	pay	0.4	0.4	0.4	0.4
	other	7.2	—	—	—
Northern Ireland	pay	2.8	2.8	2.8	2.8
	other	17.2	—	—	—
Smaller Departments	pay	17.6	17.7	17.5	17.5
	other	4.6	—	—	—
Total pay		89.7	56.7	56.4	56.4
Total other		335.0	—	—	—
Grand Total		424.7	56.7	56.4	56.4

ANNEX E

Other reduced requirements not included in the baseline 1981-82 to 1983-84

	£ million at 1980 survey prices		
	1981-82	1982-83	1983-84
<u>EEC Budget (total)</u>	54.7	31.2	—
<u>MAFF (including DAFS and WOAD)</u>			
Agricultural grants and subsidies	22.8	21.0	23.6
Other agricultural expenditure	2.7	2.5	2.9
Total	25.5	23.5	26.5
<u>Department of Industry</u>			
Regional development grants	24.2	15.2	0.6
Total	24.2	15.2	0.6
<u>Department of Trade</u>			
Regulation of trading practices	0.2	0.5	1.0
Total	0.2	0.5	1.0
<u>Export Credits Guarantee Department</u>			
Interest support costs	3.0	7.0	12.0
Refinance of fixed rate export credits	—	12.0	16.0
Total	3.0	19.0	28.0
<u>Department of Employment</u>			
Manpower Services Commission grant in aid, and staff related costs in the Department and ACAS	4.8	5.1	4.8
Total	4.8	5.1	4.8
<u>Department of the Environment — housing*</u>			
Option Mortgage subsidy	65.0	40.0	42.0
<u>DHSS — social security</u>	1.0	1.0	1.0
<u>Civil Superannuation</u>	—	—	0.3
<u>Scotland</u>			
Option mortgage subsidy	1.1	1.2	1.3
<u>Wales</u>			
Option mortgage subsidy	2.5	1.5	1.6
<u>Smaller Departments</u>	5.6	4.7	6.1
GRAND TOTAL	187.6	142.9	113.2

*These figures are based on a notional Treasury assumption about the breakdown of the single line for housing. The treatment of option mortgage subsidy is under discussion; for the purposes of this table it is as the Treasury have proposed to the department.

ANNEX F

Additional bids and offsetting savings, 1981-82 to 1983-84

£ million at 1980 survey prices

	1981-82	1982-83	1983-84
<u>Ministry of Defence</u>	3.5	3.5	3.5
<u>Foreign and Commonwealth Office — Overseas Development Administration</u>			
Overseas aid	5.0	6.0	6.0
<u>Foreign and Commonwealth Office — Other</u>			
UN Transition Assistance Group — Namibia	13.5	—	—
Military aid	4.5	4.3	4.3
Total	18.0	4.3	4.3
<u>EEC Budget (Total)</u>	—	—	17.0
<u>Intervention Board for Agriculture Produce</u>			
Estimating change*	33.0	6.1	5.8
CAP price fixing	64.0	84.0	84.0
Administration*	4.3	4.3	4.3
Total	101.3	94.4	94.1
<u>MAFF (including DAFS and WOAD)</u>			
Hill livestock compensatory allowances	16.6	15.5	14.5
Marketing aids	0.5	0.9	1.0
Operating and/or restructuring aids for fishing industry	5.0	5.0	5.0
Interim EC structural aid for fishing industry	1.7	1.3	0.1
Fisheries protection: replacement of vessels and rephasing*	2.6	-2.7	3.7
Fisheries protection: earlier replacement of DAFS vessel*	2.4	-1.3	-1.6
DAFS freshwater fisheries area boards	—	0.1	0.3
CAP price settlement			
i. Non-marketing of milk: extension	3.2	3.5	2.8
ii. New beef cow subsidy administration	1.0	1.0	1.0
Estimating changes*	3.8	4.8	3.1
Capital grants: and aid for investment in dairy farming	-4.0	-7.0	-7.0
Sales of land	-2.8	-4.0	-4.2
Thames Flood Protection Scheme*	7.9	21.2	3.8
Other arterial drainage	2.0	2.0	2.0
Total	39.9	40.3	24.5
<u>Department of Industry</u>			
Regional development grants	16.0	16.0	16.0
Assistance to industry in assisted areas	—	6.5	—
National Enterprise Board	8.3	—	-0.8
Other support services	1.3	1.3	1.5
Research establishments	—	0.4	—
Industrial R and D	14.0	22.4	12.7
Space technology	0.2	7.4	7.4
Refinancing of home shipbuilding lending and interest support costs*	23.8	1.4	2.4
Assistance to shipbuilding — Redundancy payments and cost escalation scheme*	10.6	4.8	—
Assistance to the steel industry — Redundancy payments*	50.7	22.1	1.6
Departmental administration	0.3	0.7	0.3
Rolls Royce	-0.5	-10.9	-8.5
Total	124.7	72.1	32.6

£ million at 1980 survey prices

	1981-82	1982-83	1983-84
<u>Department of Energy</u>			
PWR safety*	—	2.0	2.0
Fast reactor policy	6.0	14.0	20.0
Fusion R and D	2.6	3.6	1.7
Energy conservation publicity*	2.0	2.0	2.0
Total	10.6	21.6	25.7
<u>Department of Trade</u>			
Civil Aviation Authority	29.0	24.3	16.7
Local authority expenditure on airports	17.1	24.5	14.3
Total	46.1	48.8	31.0
<u>Export Credits Guarantee Department</u>			
Refinance of fixed rate export credits	32.0	—	—
Cost escalation cover	14.0	6.0	2.0
Total	46.0	6.0	2.0
<u>Department of Employment</u>			
Estimating increase on Redundancy and Maternity Pay Fund*	20.9	15.9	5.1
Youth unemployment	18.4	21.1	21.1
Special employment measures	45.0	85.0	105.0
Maternity Pay Fund	0.5	5.8	5.8
Total	84.8	127.8	137.0
<u>Department of Transport</u>			
Motorway and trunk road maintenance	10.0	15.0	15.0
Subsidies to British Rail (police)	1.0	1.0	1.0
RCU redundancy payments	2.0	1.0	—
Road safety publicity	4.2	4.2	4.2
Driver and vehicle licensing (net)	—	2.0	4.0
Total	17.2	23.2	24.2
<u>Department of the Environment — Housing</u>			
	—	—	—
<u>Department of the Environment — PSA</u>			
Office and general accommodation services	10.0	10.0	10.0
Total	10.0	10.0	10.0
<u>Department of the Environment — Other</u>			
Derelict land reclamation	4.0	4.0	4.0
Coast protection	7.0	7.0	7.0
Current expenditure on local environmental services	80.0	80.0	80.0
Administration (computers)	1.2	1.2	4.8
Privatisation of Hydraulic Research Station	3.4	—	—
Full cost charging for planning applications	-20.0	-20.0	-20.0
Total	75.6	72.2	75.8
<u>Home Office</u>			
Prisons	5.5	4.1	9.2
Total	5.5	4.1	9.2

	£ million at 1980 survey prices		
	1981-82	1982-83	1983-84
<u>Lord Chancellor's Department</u>			
Criminal business	0.1	1.9	1.6
Legal aid	1.1	1.0	1.0
Court building programme	-1.5	-0.1	-0.3
Judge salaries	-0.2	-0.4	-0.6
Legal aid	-0.5	-2.9	-2.5
Total	-1.0	-0.5	-0.8
<u>Department of Education and Science</u>			
School transport	37.0	47.0	52.0
Teachers — maintaining standards of provision	30.0	40.0	55.0
Teachers — in service training	10.0	15.0	20.0
Teachers — premature retirement	2.0	2.0	2.0
Teachers — shortage subjects	1.0	1.0	3.0
Non-teaching costs (schools)	—	—	50.0
Mandatory awards	10.0	10.0	7.0
Science	3.0	6.0	10.0
Overseas students	—	2.0	3.0
Total	93.0	123.0	202.0
<u>Office of Arts and Libraries</u>			
Museums and galleries, purchase grants and other	—	2.0	2.0
Other arts	—	2.0	2.0
Total	—	4.0	4.0
<u>DHSS — health and personal social services:</u>			
<u>National Health Service</u>			
Delay in recovery of road casualty treatment costs*	66.0	—	—
Foreign visitors — shortfall in expected yield*	15.0	15.0	15.0
Sight tests — shortfall on withdrawal of proposals for charge*	10.0	10.0	10.0
Allowance for demographic growth	—	—	109.0
Savings and better value for money	-5.0	-7.0	-15.0
Personal social services	—	—	—
Residential care orders	5.0	7.0	10.0
Joint finance	—	8.0	12.0
Total	91.0	33.0	141.0
<u>DHSS — social security</u>			
Major bids (total)	158.0	489.0	643.0
Minor bids:			
Long-term rates of supplementary benefits:			
a) invalidity pensioners	13.0	13.0	13.0
b) unemployed over 60	10.0	10.0	10.0
Invalid care allowance	1.0	1.0	1.0
Occupational asthma	2.4	3.0	3.6
Death grant	4.0	4.0	4.0
Administrative expenditure			
a) Newcastle CO	2.9	0.8	1.0
b) Livingstone*	2.1	0.7	1.1
c) Camelot*	0.1	6.5	7.3
Child dependency addition	-3.0	-3.0	-3.0
Total	190.5	525.0	681.0
<u>Civil superannuation (total)</u>	3.8	4.8	—

£ million at 1980 survey prices

	1981-82	1982-83	1983-84
<u>Scotland</u>			
Invergordon smelter deficit grants*	0.8	-2.7	1.8
Maintenance of offshore installations*	0.1	0.1	0.1
Selective financial assistance	12.3	11.2	4.7
Local Employment Act Loan repayments	0.3	0.2	0.5
Careers service	-	0.1	0.1
Scottish computer services	-0.9	1.5	-
Land registration additional staff	-	0.2	0.2
Comparable programmes	32.0	28.8	51.1
Total	44.6	39.4	58.5
<u>Wales</u>			
Selective financial assistance	4.9	3.5	2.6
Welsh Development Agency (steel remedials)	-	20.0	20.0
Employment services	-	0.1	0.1
Comparable programmes	12.8	10.7	21.5
Total	17.7	34.3	44.2
<u>Northern Ireland (total)</u>	<u>11.2</u>	<u>22.9</u>	<u>27.4</u>
<u>Smaller Departments (total)</u>	<u>8.5</u>	<u>14.3</u>	<u>14.4</u>
GRAND TOTAL	1,048.5	1,334.5	1,668.6

*Indicates items which departments and the Treasury agree are for the maintenance of standards in existing plans.

ANNEX G

Options for reductions 1981-82 to 1983-84

(2 per cent of the baseline for 1981-82, and 3 per cent for 1982-83 and 1983-84)

£ million at 1980 survey prices

	1981-82	1982-83	1983-84
<u>Ministry of Defence (total)</u>	200.0	300.0	300.0
<u>Foreign and Commonwealth Office</u>			
<u>– Overseas Development Administration (total)</u>	16.4	22.8	22.9
<u>Foreign and Commonwealth Office – Other</u>			
Overseas representation	4.4	6.5	6.4
Overseas information	1.6	2.3	2.3
Other external relations	0.8	1.3	1.3
Total	6.8	10.1	10.0
<u>EEC Budget (total)</u>	22.8	39.7	46.0
<u>Intervention Board for Agricultural Produce</u>			
Reduction in consumer butter subsidy	8.0	12.0	12.0
Total	8.0	12.0	12.0
<u>MAFF (including DAFS and WOAD)</u>			
Capital grants: end aid for investment in dairy farming	4.0	7.0	7.0
R and D/ADAS	1.7	2.0	1.3
Sale of land	2.8	4.0	4.2
Minor options	1.8	1.6	1.6
Arterial drainage	3.6	4.4	3.5
Total	13.9	19.0	17.6
<u>Forestry Commission</u>			
Disposal of land	0.7	1.1	1.1
Total	0.7	1.1	1.1
<u>Department of Industry</u>			
Change in RD grant criteria and disposal or early repayment, at existing shipbuilding refinancing loans	18.0	20.0	18.0
Total	18.0	20.0	18.0
<u>Department of Energy</u>			
Nuclear energy	3.5	5.0	5.0
Non-nuclear energy	5.5	5.5	4.5
Energy conservation	0.5	1.0	1.0
Total	9.5	11.5	10.5

£ million at 1980 survey prices

	1981-82	1982-83	1983-84
<u>Department of Trade</u>			
Tourism	1.3	1.8	1.7
Export promotion	1.4	2.0	2.0
Consumer protection—local authority expenditure	0.9	1.2	1.2
Total	3.6	5.0	4.9
<u>Export Credits Guarantee Dept.</u>			
	—	—	—
<u>Department of Employment</u>			
Manpower services commission grant in aid	12.0	17.0	17.0
Special temporary employment programme	11.0	14.0	14.0
Total	23.0	31.0	31.0
<u>Department of Transport</u>			
Motorway and Trunk roads and local transport	40.0	58.0	58.0
Support to British Rail	13.0	19.0	19.0
Port investment	1.0	2.0	2.0
Driver and vehicle licensing	1.0	1.0	1.0
Total	55.0	80.0	80.0
<u>Department of the Environment —</u>			
<u>Housing</u>			
	65.0	81.0	71.0
<u>Department of the Environment —</u>			
<u>PSA</u>			
Office and general accommodation services	6.8	9.6	9.6
Total	6.8	9.6	9.6
<u>Department of the Environment —</u>			
<u>Other</u>			
Regional Water authorities capital expenditure	14.0	16.0	16.0
Full cost charging for planning applications	20.0	20.0	20.0
Capital expenditure on local environmental services	5.0	17.0	17.0
New towns—industrial and commercial	2.0	1.0	1.0
Historic buildings, ancient monuments and the heritage	0.4	1.5	1.5
Administration	1.1	2.0	2.0
Central environmental services	1.0	3.0	3.0
Environmental research	1.5	3.5	3.5
Urban programme	10.0	15.0	15.0
Total	55.0	79.0	79.0

	£ million at 1980 survey prices		
	1981-82	1982-83	1983-84
<u>Home Office</u>			
Increase in threshold for payments by the Criminal Injuries Compensation Board	1.0	1.0	1.0
Building programmes—magistrates courts	7.0	11.0	11.0
Probation—curtail rate of growth or cut establishment growth	5.0	5.0	5.0
Prisons building programme	1.0	6.0	3.0
Start on a second new prison	—	—	3.0
Police—hold establishment to Cmnd. 7841	—	5.0	14.0
Police—building programme	8.0	15.0	10.0
Abolition of the Commission for Racial Equality	6.0	6.0	6.0
Fire cover—more restrictive attitude on minimum standards	16.0	18.0	20.0
Abolition of the Equal Opportunities Commission	2.0	2.0	2.0
Miscellaneous programmes—extend cash limit squeeze across survey period	6.0	6.0	6.0
Total	52.0	75.0	81.0
<u>Lord Chancellor's Department</u>			
Court building programme	1.5	0.1	0.3
Judges salaries	0.2	0.4	0.6
Legal aid	0.5	2.9	2.5
Reduce current expenditure in the high courts and in the court building programme	3.0	5.0	5.4
Total	5.2	8.4	8.8
<u>Department of Education and Science</u>			
Under fives	20.0	30.0	30.0
School leaving age adjustment	10.0	15.0	15.0
Capital expenditure	15.0	20.0	25.0
Administration by local authorities	5.0	10.0	15.0
Recreational and community projects and reduction in youth service expenditure	20.0	30.0	30.0
Higher education	20.0	60.0	90.0
Student awards (consequential of higher education above)	10.0	25.0	30.0
Students awards—further reduction in value	25.0	35.0	35.0
Science	30.0	30.0	30.0
Total	155.0	255.0	300.0
Alternative Treasury option: Schools current expenditure	45.0	70.0	70.0
<u>Office of Arts and Libraries</u>			
Libraries, museums, galleries, other arts and heritage	7.4	10.9	10.9
Total	7.4	10.9	10.9
<u>DHSS—health and personal social services</u>			
<u>National Health Service</u>			
Half price dental charges for exempt classes	10.0	10.0	10.0
Half price prescription charges for exempt classes	65.0	65.0	65.0
Hotel charge	10.0	20.0	20.0
GP consultation charge	—	50.0	50.0
Reduction in gross expenditure to make up balance of 2 and 3 per cent reductions	72.0	95.0	97.0
<u>Personal social services</u>			
Reduction in net expenditure of 2 and 3 per cent	26.0	39.0	40.0
Total	183.0	279.0	282.0

	£ million at 1980 survey prices		
	1981-82	1982-83	1983-84
DHSS—social security (total)	400.0	600.0	600.0
Civil superannuation	—	—	—
Scotland			
Investment provision of SDA	2.3	3.2	3.3
Unspecified reduction	1.0	1.4	1.4
Comparable programmes	59.6	89.9	92.9
Total	62.9	94.5	97.6
Wales			
Unspecified reduction	1.4	1.5	1.4
Comparable programmes	25.3	37.7	38.6
Total	26.7	39.2	40.0
Northern Ireland (total)	16.8	24.7	25.3
Small Departments	21.6	31.0	32.3
GRAND TOTAL	1,435.1	2,139.5	2,191.5

ANNEX H

The relative price effect

The main figures in this survey report are at constant prices in volume terms. This presentation has considerable advantages because it enables discussion to focus on the content of the programmes, leaving aside the uncertainties about future rates of inflation.

2. In reality the wages and prices paid in the public services may increase at a faster or slower rate than prices in the economy generally and so the volume figures may not give a full measure of the relative cost of the expenditure plans. It is the cost of the plans, taking account of this "relative price effect" (RPE), that matters in assessing the implications of the plans for taxation, the borrowing requirement and the money supply.
3. The figures shown in table H2 illustrate the cost of the survey baseline expressed elsewhere in this report in volume terms. They incorporate Departments' own estimates of the way in which prices of different types of expenditure have moved in the past and assumptions about how they may move in the future based on the Medium Term Financial Strategy (MTFS). The basis of the figures is explained in detail below.
4. The figures "in cost terms" differ from cash estimates only by the extent of general inflation, as measured by the GDP market price deflator. The corresponding volume figures differ from cash estimates both by the extent of general inflation and by the relative price movements specific to individual items of expenditure. The difference between the figures - the relative price effect - reflects the difference between pay and price increases in the public services and price increases in the economy generally. Table H1 shows how the cost terms figures relate to the volume figures and how the main economic categories contribute to the aggregate estimate of the RPE.
5. The table shows that, compared with 1979-80, about £1 billion has been added to the cost of the expenditure plans as a result of various Clegg awards, the staged settlements for civil servants and local authority white collar workers, and the present round of pay settlements. The RPE on pay is offset by other economic categories where, for largely technical reasons explained below, prices have recently tended to increase by less than the GDP deflator. However this does not detract from the difficulties caused by this last year's pay settlements and their enormous impact on the cost of providing public services.

The basis of the figures

6. The figures for past years in table H2 are derived by inflating actual expenditure from outturn prices to average 1979-80 prices, using the GDP deflator. The figures for 1980-81 and later years are derived by first converting figures from 1980 survey prices to average 1979-80 prices, using the relationships reported by Departments between the estimated outturn for 1979-80 at outturn prices and at 1980 survey prices. The figures are then adjusted for the amounts by which changes in the prices of each item of expenditure are assumed to differ from changes in the general price level in the year ahead. Some 30 different indices are used for this purpose, distinguishing between the main economic categories and allowing for the different major pay groups.

7. Interpretation of the relative price effect must take account of the particular measurement conventions used. For expenditure on wages and salaries, which is roughly one third of total public expenditure, there has been a tendency in the past for the relative price effect to be positive. One reason for this was the difference between productivity growth in the non-trading public sector (which by convention is assumed to be zero) and productivity growth in the rest of the economy. Whereas the rate of growth of underlying productivity in the whole economy was about 2½% in the period before 1973, it has recently been around 1½ to 1¼ per cent. With the reduction in the assumed difference between productivity growth in the public and private sectors one would expect a reduction in the RPE.

8. Second, as regards other public expenditure - that is other than on wages and salaries - several factors have combined to make its price rise less than the GDP deflator in recent years. The rising real exchange rate has meant that domestic costs - which exclude imports and which is what the GDP deflator measures - rise more than the average price that the public sector pays, and also more than the retail prices index which is used to deflate social

security expenditure. In addition, the GDP deflator has been increased by the rising share of North Sea oil output in total output. Because most of the oil based rise in national income takes the form of profits, as these profits rise (faster than wages) there will be a tendency for the GDP deflator to rise faster than other domestic prices, which are related to wage costs.

Public expenditure in cost terms: analysis of the relative price effect

Table H1

£ million at 1979-80 prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Public expenditure before shortfall and special sales of assets:									
- in volume terms, at 1980 survey prices	82,133	79,424	76,228	80,206	82,596	83,209	81,748	80,104	79,795
price adjustment	-650	-650	-650	-650	-650	-650	-650	-650	-700
- in volume terms, at 1979-80 average prices	81,450	78,750	75,600	79,550	81,950	82,550	81,100	79,450	79,100
Relative price effect	150	1,250	-	-400	-	350	-450	-650	-650
- in cost terms, at 1979-80 average prices	81,600	80,000	75,600	79,150	81,950	82,900	80,650	78,800	78,450
Analysis of relative price effect									
wages and salaries	1,050	950	-450	-500	-	1,250	1,150	1,050	1,050
other current expenditure on goods and services	-1,000	-400	-150	-50	-	-200	-350	-350	-400
capital expenditure on goods and services	50	-100	-200	-200	-	-50	-200	-250	-250
current grants to persons (mainly social security benefits)	-	450	550	200	-	-450	-650	-650	-600
current grants abroad (eg. EEC contributions overseas aid etc.)	50	100	150	150	-	-150	-200	-200	-250
other	-	250	100	-	-	-50	-200	-250	-200
Total	150	1,250	-	-400	-	350	-450	-650	-650
Change over previous year		+1,100	-1,250	-400	+400	+350	-800	-200	-
Relative price change over previous year (per cent.)									
wages and salaries		-1	-5½	-	+2	+4½	-1	-1	-
Other current expenditure on goods and services		+4½	+2	+1	+½	-1½	-1	-	-½
capital expenditure on goods and services		-1½	-2	+½	+2½	-½	-3½	-1	-
current grants to persons		+2½	+½	-2	-1	-2	-1	-	-
current grants abroad		+7	-	-2½	-7½	-6½	-3½	-½	-
Total		+1½	-1½	-½	+½	+½	-1	-½	-

Public expenditure by Department in cost terms

Table H2

£ million

At 1979-80 prices, including the relative price effect	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
1. Ministry of Defence	8,780	9,010	8,760	8,720	9,210	9,440	9,740	10,070	10,420
2. Foreign and Commonwealth Office (Overseas Development Administration)	790	810	970	920	850	820	750	700	700
3. Foreign and Commonwealth Office (excluding ODA)	360	360	320	340	350	340	330	330	330
4. EEC Budget	20	320	710	850	980	920	980	1,140	1,320
5. Intervention Board for Agricultural Produce	570	270	340	390	330	360	390	390	390
6. Ministry of Agriculture, Fisheries and Food	1,330	900	730	520	610	590	540	490	440
7. Forestry Commission	60	60	60	60	70	60	70	70	70
8. Department of Industry	2,000	1,440	1,270	1,270	1,100	1,250	900	670	590
9. Department of Energy	380	370	360	450	450	500	480	390	350
10. Department of Trade	750	490	240	200	210	220	180	160	160
11. Export Credits Guarantee Department	1,040	1,020	-220	390	-70	40	30	-100	-160
12. Department of Employment	1,140	1,420	1,280	1,260	1,260	1,290	1,200	1,090	1,060
13. Department of Transport	3,750	3,400	2,930	2,830	2,940	2,840	2,680	2,580	2,580
14. Department of the Environment (Housing)	5,940	5,740	4,800	4,520	4,710	3,950	2,980	2,430	2,110
15. Department of the Environment (Property Services Agency)	460	470	420	390	380	370	350	330	320
16. Department of the Environment (excluding Housing and PSA)	3,330	3,060	2,840	2,930	2,870	2,930	2,770	2,640	2,600
17. Home Office	2,190	2,240	2,110	2,150	2,350	2,440	2,460	2,490	2,500
18. Lord Chancellor's Department	190	180	180	190	200	220	250	260	270
19. Department of Education and Science	9,770	9,760	9,040	9,020	8,980	9,070	8,740	8,490	8,230
20. Office of Arts and Libraries	390	400	380	400	390	380	370	360	360
21. Department of Health and Social Security (Health and Personal Social Services)	8,510	8,620	8,370	8,610	8,870	9,210	9,220	9,380	9,490
22. Department of Health and Social Security (Social Security)	15,740	16,620	17,540	18,820	19,110	19,370	19,660	19,390	19,560
23. Civil Service Department (Civil Superannuation)	360	400	390	420	450	470	510	540	580
24. Scotland	4,560	4,480	4,190	4,280	4,400	4,420	4,250	4,130	4,070
25. Wales	1,840	1,830	1,690	1,730	1,690	1,770	1,690	1,620	1,590
26. Northern Ireland	2,330	2,360	2,330	2,490	2,470	2,420	2,380	2,330	2,320
27. Other Departments	1,760	1,510	1,440	1,420	1,500	1,570	1,570	1,530	1,530
28. Government lending to nationalised industries	1,700	410	-280	810	1,700	860	200	-230	-660
29. Total programmes	80,040	77,950	73,190	76,380	78,360	78,120	75,670	73,670	73,120
30. Debt interest	1,580	2,050	2,390	2,790	3,570	3,700	3,700	3,500	3,200
31. Contingency reserve	-	-	-	-	-	1,080	1,260	1,620	2,120
32. Total public expenditure before shortfall and special sales of assets	81,620	80,000	75,580	79,170	81,930	82,900	80,630	78,790	78,440
33. Total as defined for calculating ratio to GDP in cost terms ^(*)	82,530	81,850	76,080	79,690	80,730	81,180	79,390	77,540	76,900
34. Planning total after shortfall	80,950	79,800	73,690	76,900	77,160	77,480	75,690	74,040	73,700

(*) Comprises total public expenditure (32), nationalised industries' overseas and market borrowing, special sales of assets and general allowance for shortfall; i.e. planning total after shortfall plus debt interest.

ANNEX J

Public service manpower

1. Table J1 summarises the detailed manpower estimates in table J2 to J5 for the civil service, the health service (NHS), the armed forces and local authorities. Apart from those for the civil service, the projections are broadly consistent with the baseline expenditure estimates. The projections for the civil service include the effect of the reductions announced by the Prime Minister on 14 March and 13 May 1980. The figures are expressed as financial year averages of whole time equivalents except for the family practitioner services where absolute numbers are used.

2. The figures are not comprehensive: they exclude those central government workers who are not civil servants - for example the crown servants employed by the Forestry Commission - and most public service employees in Northern Ireland. Nor do the figures correspond precisely with the aggregate estimates of wages and salaries incorporated in the baseline expenditure figures, because they include staff employed in trading services and on capital projects.

3. Public service manpower as defined in this annex accounts for some 20 per cent of total employment. It includes family practitioners and dentists who are counted in the private sector in the statistics of employment published annually by the Central Statistical Office in "National Income and Expenditure" and "Economic Trends". Employees of the nationalised industries and other public corporations are excluded, as are the staff of universities, which are private sector bodies.

4. The broad picture is of public service manpower declining by 4% between 1979-80 and 1983-84. Civil service manpower is projected to be some 11% below the level in 1979-80 and local authority manpower some 8% below. Manpower in both the NHS and the armed forces is expected to increase - by just over 6% in both cases.

Civil service

5. The figures in table J2 were prepared by the Civil Service Department. For the survey years, they show the projected numbers of industrial and

non-industrial civil servants (including the effect of the announced reductions), expressed as financial year averages. The cost of staff in the four trading funds, (Royal Mint, Royal Ordnance Factories, PSA Supplies Division and HMSO) does not count as public expenditure, and is therefore not included in the survey baseline. However, these staff constitute part of the civil service, and their numbers are included in the table. Civil service manpower has fallen in each year since 1976-77 to 1979-80. At this stage, the figures are speculative: it is assumed for illustrative purposes that there will be a steady run down of 20,000 a year over the next four years, as the Governments plans to reduce the size of the Civil Service to 630,000 over this period are implemented.

National Health Service

6. The figures in table J3 were prepared by the Department of Health and Social Security, the Welsh Office and the Scottish Home and Health Department. The projections are based on staffing statistics as at 30 September which reasonably reflect the financial year average. In line with the conventions used in "Health and Personal Social Services Statistics", the figures for staff in hospitals, community health services and other health services are in whole-time equivalent terms, whereas the figures for the family practitioner service are the numbers of general medical practitioners and dentists in the national health service, whether whole-time or part-time workers.

7. The projections for the survey period are estimates based on the assumption that the proportion of expenditure on remuneration will remain broadly constant and that the effect of the management costs exercise in England will be a switch between staff groups rather than an overall reduction in staff numbers. In addition, for hospitals and community health services in England, the growth in whole-time equivalents over the period is expected to be less than the growth in wages and salaries, reflecting among other factors a relatively higher increase in more expensive staff groups.

8. The figures for England and Wales exclude civil servants whose pay is allocated to the health programme including those working at, for example, special hospitals (these civil servants are included in table J2). The figures for "other health services" in Scotland include the common services agencies (which provide the ambulance, blood transfusion and some other services) and also staff at the state hospital.

Armed forces

9. Table J4 gives figures for personnel in each branch of the Services. The figures for 1979-80 onwards are derived from the 1980 long-term costing forecast of tri-services manpower. They do not correspond exactly with the baseline expenditure totals but suggest an initial fall in 1979-80 after which they rise slowly. Figures for "locally engaged personnel" represent men recruited outside the United Kingdom for full-time service, including Gurkhas. The "paid reserves", comprise the part-time members of the Paid Reserve Forces, the Ulster Defence Regiment, and personnel of the reserves serving in a full-time capacity. Neither the "locally engaged personnel" nor the "paid reserves" are included in the public service totals in table J1.

10. Figures for the civilian defence staff, excluding locally engaged staff, are included in the table of civil service manpower, J2.

Local authorities

11. The manpower figures in table J5 are in whole-time equivalent terms and take account of part-time employees who make up about one-third of the total local authority employment in Great Britain, now about three million. The figures shown include employees in local authorities' trading services, eg housing and passenger transport, as well as those in rate fund services and engaged on capital projects. The estimates for individual services are based on departments' returns. The figures for

Roads and Transport include some construction workers - about 13 thousand (WTE) - who are employed on work for other services. In the case of education those teachers who also work as FE lecturers are scored only once in table J5.

12. The figures show local authority manpower falling by some 2 per cent from 1977-80 to 1983-84 after the peak of 2,356 thousand in 1979-80. Moreover these estimates necessarily have a wide range of error attached to them, especially for later years, because of the difficulty of forecasting the annual rate of wage drift, and matching to the PESC programmes the figures in the joint manpower watch. The decrease occurs in all services except law, order and protective services although the numbers employed in personal social services picks up towards the end of the period. The figures are based on actuals up to December 1979 and thereafter relate to the baseline expenditure figures in the survey report, and therefore from 1980-81 onwards assume compliance by the local authorities with the expenditure plans. In practice, local authority budgets for 1980-81 indicate that the expenditure plans are unlikely to be achieved before 1981-82 at the earliest.

13. Local authority staffing in England and Wales has been monitored since the middle of 1975 by the Government and local authority associations through the joint manpower watch group reporting to the Consultative Council on Local Government Finance. A similar watch on staff numbers in Scotland was instituted in consultation with the Convention of Scottish Local Authorities in March 1976.

These manpower watch figures, averaged over each financial year, have been used as the base for the projections in the table with the exception of some 13,000 whole-time equivalent part-time firemen and some 2,700 staff of inner-London polytechnics, who are excluded from the manpower watch.

Public service manpower projections — summary

Table J.1

(Thousands)

	1976-77 actual	1977-78 actual	1978-79 actual	1979-80 estimated	1980-81 estimated	1981-82 estimated	1982-83 estimated	1983-84 estimated
Civil Service	746	741	732	716	698 ⁽¹⁾	680 ⁽¹⁾	660 ⁽¹⁾	640 ⁽¹⁾
National health service	952	956	975	982	1,010	1,026	1,043	1,045
Armed forces	334	326	320	316	320	327	333	336
Local authorities	2,349	2,323	2,336	2,356	2,276	2,230	2,198	2,172
Total	4,381	4,346	4,363	4,370	4,304	4,263	4,234	4,194

⁽¹⁾ These figures reflect the statements about the Civil Service made by the Prime Minister of 14 March and 13 May 1980.

Civil service

Table J.2

(Thousands) (FTE)

	1976-77 actual	1977-78 actual	1978-79 actual	1979-80 estimated	1980-81 estimated	1981-82 estimated	1982-83 estimated	1983-84 estimated
Ministry of Defence	263.6	255.7	249.0	243.3	} Estimates by Department are not available			
Foreign and Commonwealth Office (including overseas development)	12.4	12.3	12.0	11.8				
Chancellor of the Exchequer's Departments/Paymaster General's Office	127.2	129.3	128.1	123.5				
Department of the Employment group	49.8	52.4	53.6	52.0				
Department of Health and Social Security/Office of Population Census and Surveys	96.3	98.8	99.4	99.2				
Department of the Environment/ Transport/Ordnance Survey	76.5	74.1	70.9	67.5				
Home Office	32.2	32.7	33.4	33.6				
Scottish Office/Welsh Office/ Northern Ireland Office	12.4	12.1	13.6	13.5				
Ministry of Agriculture, Fisheries and Food/Intervention Board for Agricultural Produce	15.9	15.4	14.5	14.3				
Departments of Trade/Industry/ Energy/Fair Trading/ECGD	21.8	21.6	20.7	20.2				
Department of Education and Science/Office of Arts and Libraries/Science Museum/ Victoria and Albert Museum	4.0	3.9	3.7	3.7				
Lord Chancellor's Departments/ Scottish Courts etc.	16.5	16.5	17.2	17.3				
Total	745.8	741.3	732.3	716.1		713.4		
Less 2% reduction in manpower costs in 1980-81						-15.0		
Revised Total for 1980-81						698.4		
Target baseline in later years to reflect Prime Minister's announcement on 13 May							680.0	660.0

National Health Service

Table J.3

As at 30th September (thousands)

	1976-77 actual	1977-78 actual	1978-79 actual	1979-80 estimated	1980-81 estimated	1981-82 estimated	1982-83 estimated	1983-84 estimated
England and Wales								
Hospitals and Community Health Services ⁽¹⁾	788.2	792.9	807.1	811.3	837.1	850.0	864.0	864.0
Family Practitioner Services ⁽²⁾	34.9	35.6	36.2	36.8	37.5	38.0	38.6	39.3
Other Health Services ⁽²⁾	13.3	13.4	13.7	14.2	14.7	15.0	15.2	15.4
Total	836.4	841.9	857.0	862.3	889.3	903.0	917.8	918.7
Scotland								
Hospitals and Community Health Services ⁽¹⁾	107.2	105.8	108.9	110.6	111.4	114.0	115.7	116.9
Family Practitioner Services ⁽²⁾	4.2	4.2	4.4	4.4	4.5	4.5	4.6	4.6
Other Health Services ⁽²⁾	4.1	4.2	4.4	4.5	4.8	4.8	4.8	4.9
Total	115.5	114.2	117.7	119.5	120.7	123.3	125.1	126.4
Total Great Britain	951.9	956.1	974.7	981.8	1,010.0	1,026.3	1,042.9	1,045.1

⁽¹⁾ Full time equivalents⁽²⁾ Number of practitioners

Armed forces

Table J.4

(thousands)

	1976-77 actual	1977-78 actual	1978-79 actual	1979-80 estimated	1980-81 estimated	1981-82 estimated	1982-83 estimated	1983-84 estimated
Royal Navy and Royal Marines:								
United Kingdom personnel	76.1	75.6	74.9	72.0	72.1	73.4	74.7	75.8
Locally engaged personnel	0.5	0.4	0.4	0.3	0.3	0.3	0.3	0.3
Total	76.6	76.0	75.3	72.3	72.4	73.7	75.0	76.1
Paid reserves	11.9	11.7	12.0	11.7	11.9	11.9	11.9	11.9
Army:								
United Kingdom personnel	168.5	164.0	159.7	156.6	158.6	162.0	165.1	167.5
Locally engaged personnel	7.9	7.8	7.8	8.0	7.9	7.9	7.9	7.5
Total	176.4	171.8	167.5	164.6	166.5	169.9	173.0	175.0
Paid reserves	113.4	113.3	114.5	120.1	133.8	139.7	144.7	149.7
Royal Air Force:								
United Kingdom personnel	89.0	85.9	85.4	87.4	89.5	91.4	92.8	93.1
Locally engaged personnel	0.4	0.3	—	—	—	—	—	—
Total	89.4	86.2	85.4	87.4	89.5	91.4	92.8	93.1
Paid reserves	0.9	0.9	1.7	2.0	3.2	3.6	3.6	3.5
Total Armed Forces:								
United Kingdom personnel	333.5	325.5	320.0	316.0	320.1	326.8	332.6	336.3
Locally engaged personnel	8.8	8.5	8.2	8.3	8.2	8.2	8.2	7.8
Total	342.3	334.0	328.2	324.3	328.3	335.0	340.8	344.1
Paid reserves	126.1	125.8	128.1	133.7	148.8	155.1	160.1	165.1

Local authorities manpower

Table J.5

(thousands)

	1976-77 actual	1977-78 actual	1978-79 actual	1979-80 estimated	1980-81 estimated	1981-82 estimated	1982-83 estimated	1983-84 estimated
England and Wales								
Agriculture, fisheries food and forestry	1	1	1	1	1	1	1	1
Industry, energy, trade and employment	12	12	12	13	13	13	13	13
Roads and transport ⁽¹⁾	92	90	89	88	82	80	76	76
Housing	116	114	116	117	117	117	116	116
Other environmental services	428	420	422	422	405	389	372	364
Law, order and protective services	214	212	211	220	227	221	232	234
Education ⁽²⁾ and science, arts and libraries	1,031	1,027	1,029	1,033	994	976	960	940
Health and personal social services	196	198	204	207	190	192	192	195
Other public services	5	3	2	2	2	2	2	2
Total	2,095	2,077	2,086	2,103	2,031	1,991	1,964	1,941
Scotland								
Agriculture, fisheries food and forestry	—	—	—	—	—	—	—	—
Industry, energy, trade and employment	1	1	1	1	1	1	1	1
Roads and transport	26	24	24	24	24	23	23	22
Housing	14	13	14	14	14	14	13	13
Other environmental services	45	42	44	45	42	39	36	35
Law, order and protective services	24	24	24	25	25	25	25	25
Education and science, arts and libraries	114	110	111	110	105	103	101	99
Health and personal social services	28	28	29	31	31	31	32	32
Other public services	4	4	4	4	4	4	4	4
Total	254	246	250	253	245	239	234	231
Total Great Britain	2,349	2,323	2,336	2,356	2,276	2,230	2,198	2,172

⁽¹⁾ This line includes some construction workers on other programmes.

⁽²⁾ Any person who works both as a teacher and a lecturer is only included once.

ANNEX K

Local authority current and capital expenditure

Table K1 brings together the component of the survey plans which is local authority current expenditure in Great Britain. It shows the adjustment which is necessary to convert expenditure covered by the survey to that relevant for rate support grant (RSG) purposes. Aggregate Exchequer Grant (which includes specific and supplementary grants and the residual as Rate Support Grant) is paid at a specified proportion of this sum - for 1980-81, 61 per cent in England and Wales and 68½ per cent in Scotland. Relevant expenditure also includes allowances for revenue contributions to capital spending, revenue contributions to rate fund expenditure and loan charges net of interest receipts on balances.

2. With the exception of 1977-78, when there was a 0.9 per cent decline, local authorities' current expenditure grew slowly during the past period covered by table K1. When the present government assumed office last year, local authorities in England and Wales were asked to reduce their current expenditure in 1979-80 by 3 per cent compared to the previous government's plans, or about 2 per cent compared to 1978-79. However, provisional figures suggest that outturn local authority current expenditure in England and Wales in 1979-80 will be very close to the plans published in Cmnd. 7439.

3. Local authorities' budgets for 1980-81 have been struck at a level 5.6 per cent higher than the survey in England and Wales, 4.5 per cent higher in Scotland. Ministers have asked local authorities to revise their budgets downwards, and have drawn attention to the need for manpower reductions if the survey plans are to be achieved.

4. The plans require continuing reduction in local authorities' current expenditure in future years: 4.1 per cent in 1980-81 (compared to provisional outturn in 1979-80), 1.9 per cent in 1981-82 (compared to plan), 1.9 per cent in 1982-83 and 2.8

per cent 1983-84. (The paths are similar in England and Wales and in Scotland). They reflect decisions taken at programme level, including reduction in teacher numbers in response to demographic trends, maintenance of standards in the social services at a somewhat lower level than implied by the inherited plans, priority for law and order and corresponding reductions in most other services. (In the case of housing the path reflects an illustrative split of the integral line). It is hoped that the introduction of block grant in England and Wales - a new and fairer means of distributing RSG - from 1981-82 will provide an incentive to local authorities to keep their expenditure within reasonable limits. The same objective is being pursued by different means in Scotland.

5. Table K2 shows the capital expenditure of local authorities in Great Britain, analysed by programme. At present a distinction is made in England and Wales between key sector projects which are subject to specific departmental approval, and the locally determined sector, within which local authorities are free to set their own priorities. From 1981-82 control in England and Wales will, as in Scotland, bite directly on expenditure and local authorities will be free to adjust their spending patterns to suit their own priorities, subject to many fewer central government constraints.

6. Capital expenditure has declined sharply throughout the survey period at an average rate of 13½ per cent a year up to 1979-80. The plans provide for a continued fall at an average rate of 7½ per cent a year although it should be noted that the figures for housing are only illustrative since no decision on allocations of the total between current and capital has yet been made. This is a significant cut compared to the inherited plans, which required stability throughout the forecast period. It is partly a reflection of a more realistic approach, given the tendency to heavy capital underspending particularly on housing by local authorities.

Local authorities current expenditure

Table K.1

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
England and Wales									
MAFF and IBAP	36	38	51	42	34	41	39	39	39
Department of Trade	36	37	34	34	36	39	37	35	35
Department of Employment	42	43	44	48	52	55	55	54	54
Department of Transport	1,266	1,161	1,076	1,132	1,100	1,056	1,010	971	978
DOE—Housing	380	341	302	384	435	391	340	201	-117
DOE—Other Environmental Services	1,633	1,578	1,657	1,678	1,731	1,605	1,543	1,502	1,489
Home Office	1,879	1,962	1,927	1,942	2,030	2,105	2,134	2,165	2,189
Department of Education and Science	6,800	6,935	6,836	7,021	7,244	6,851	6,702	6,608	6,448
Office of Arts and Libraries	230	227	226	236	229	212	201	197	197
DHSS—Health and Personal Social Services	1,159	1,190	1,210	1,258	1,285	1,183	1,207	1,233	1,260
Welsh Office	704	701	706	716	657	686	660	630	608
Total current expenditure (PES basis)	14,166	14,148	14,068	14,491	14,833	14,226	13,927	13,635	13,180
Adjustments to current expenditure ⁽¹⁾	-367	-400	-536	-562	-602	-580	-575	-573	-583
Current expenditure relevant for RSG purposes	13,799	13,748	13,532	13,929	14,231	13,646	13,352	13,062	12,597
Scotland									
Scottish Office									
Total current expenditure (PES Basis)	1,777	1,698	1,686	1,746	1,761	1,734	1,712	1,692	1,688
Adjustments to current expenditure ⁽¹⁾	-94	-67	-77	-73	-52	-53	-55	-56	-56
Current expenditure relevant for RSG purposes	1,683	1,631	1,609	1,673	1,709	1,681	1,657	1,636	1,632
Great Britain									
Total current expenditure (PES Basis)⁽²⁾	15,943	15,846	15,754	16,237	16,594	15,960	15,639	15,327	14,868

Notes: ⁽¹⁾ Public expenditure not ranking for RSG, relevant expenditure not counted as public expenditure, and price base differences. (For details see tables K3 and K4).

⁽²⁾ These figures differ from those shown elsewhere in the report because they exclude VAT. Totals and components have been rounded separately. Figures rounded to the nearest £0.1 million are shown in tables K3 and K4.

Local authorities capital expenditure

Table K.2

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
England and Wales									
MAFF and IBAP	55.1	59.1	53.1	61.8	88.9	100.2	77.1	56.8	29.0
Department of Trade	—	—	1.2	1.1	1.1	1.2	1.3	1.3	1.3
Department of Employment	1.6	2.4	3.1	2.0	4.8	4.6	6.7	8.1	5.4
Department of Transport	824.9	754.9	557.7	501.4	564.1	516.9	487.8	471.7	468.0
DOE—Housing	3,863.5	3,061.3	2,404.0	1,930.4	1,974.1	1,368.0	971.1	921.2	967.4
DOE—Other Environmental Services	695.8	561.3	481.8	502.4	411.7	448.1	442.2	413.0	413.0
Home Office	101.7	87.9	72.4	56.8	49.2	64.1	80.5	93.3	97.7
Department of Education and Science	652.6	580.9	453.0	395.0	348.9	315.1	275.4	230.9	209.1
Office of Arts and Libraries	30.9	19.5	14.5	12.4	14.6	13.7	12.9	12.5	12.5
DHSS—Health and Personal Social Services	124.8	94.8	57.7	56.8	71.7	70.4	70.8	72.1	72.1
Welsh Office	337.3	305.1	223.3	209.3	214.4	180.6	156.4	149.6	134.7
Total (England and Wales)	6,688.3	5,527.5	4,322.0	3,729.8	3,743.6	3,083.3	2,582.5	2,430.8	2,410.4
Of which:									
Total key and subsidiary sector	5,535.5	4,584.1	3,542.1	3,004.0	3,090.0				
Total locally determined sector	1,152.8	943.4	779.9	725.8	653.6				
Scotland									
Scottish Office	862.7	791.1	699.4	684.2	650.1	575.4	539.3	513.1	479.5
Great Britain									
Total capital expenditure	7,551.0	6,318.6	5,021.4	4,414.0	4,393.7	3,658.7	3,121.8	2,943.9	2,889.9

Local authority current expenditure and relevant expenditure by Department. England and Wales

Table K.3

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
England and Wales									
MAFF and IBAP:									
Current expenditure (PES basis)	36.4	38.0	50.2	42.8	34.2	40.4	39.5	39.6	39.6
Adjustments to current expenditure	—	—	—	—	—	—	—	—	—
Relevant expenditure (RSG basis)	36.4	38.0	50.2	42.8	34.2	40.4	39.5	39.6	39.6
Department of Trade:									
Current expenditure (PES basis)	35.6	37.1	34.2	34.4	35.7	39.3	37.1	35.1	35.1
Adjustments to current expenditure	—	—	—	—	—	-1.2	—	-0.1	-0.1
Relevant expenditure (RSG basis)	35.6	37.1	34.2	34.4	35.7	38.1	37.1	35.0	35.0
Department of Employment:									
Current expenditure (PES basis)	41.7	43.4	44.3	47.6	51.8	55.6	55.2	54.4	54.4
Adjustments to current expenditure ⁽¹⁾	-0.3	-1.1	-1.5	-2.7	-4.0	-5.2	-5.2	-4.5	-4.5
Relevant expenditure (RSG basis)	41.4	42.3	42.8	44.9	47.8	50.4	50.0	49.9	49.9
Department of Transport:									
Current expenditure (PES basis)	1,266.1	1,160.9	1,075.5	1,132.1	1,100.3	1,056.5	1,010.3	971.3	978.5
Adjustments to current expenditure	—	—	—	—	—	—	—	—	—
Relevant expenditure (RSG basis)	1,266.1	1,160.9	1,075.5	1,132.1	1,100.3	1,056.5	1,010.3	971.3	978.5
DOE—Housing:									
Current expenditure (PES basis)	379.8	340.9	301.6	383.6	435.1	391.3	340.2	201.0	-116.9
Adjustments to current expenditure	-4.3	-5.9	-6.7	-4.9	-12.3	-6.7	-8.1	-10.1	-14.2
Relevant expenditure (RSG basis)	375.5	335.0	294.8	378.7	422.8	384.5	332.1	190.9	-131.1
DOE—Other Environmental Services:									
Current expenditure (PES basis)	1,634.9	1,577.7	1,657.8	1,676.5	1,731.6	1,605.9	1,541.5	1,501.2	1,488.0
Adjustments to current expenditure	-1.2	-8.1	-10.0	-12.2	-4.2	-1.5	-1.5	-1.5	-1.5
Relevant expenditure (RSG basis)	1,633.7	1,569.6	1,647.8	1,664.3	1,727.4	1,604.4	1,540.0	1,499.7	1,486.5
Home Office:									
Current expenditure (PES basis)	1,879.0	1,961.6	1,926.7	1,942.1	2,030.5	2,105.2	2,133.6	2,165.0	2,189.0
Adjustments to current expenditure ⁽²⁾	-3.8	-4.5	-4.7	-4.6	-4.2	-8.9	-8.9	-8.9	-8.9
Relevant expenditure (RSG basis)	1,875.2	1,957.1	1,922.0	1,937.5	2,026.3	2,096.3	2,124.7	2,156.1	2,180.1
Department of Education and Science:									
Current expenditure (PES basis)	6,799.8	6,869.9	6,836.2	7,021.2	7,243.5	6,850.8	6,701.6	6,607.5	6,447.5
Adjustments to current expenditure ⁽³⁾	-352.1	-377.4	-509.3	-532.3	-572.2	-554.9	-546.1	-547.2	-549.0
Relevant expenditure (RSG basis)	6,447.7	6,492.5	6,326.9	6,488.9	6,671.3	6,295.9	6,155.5	6,060.3	5,898.5
Office of Arts and Libraries:									
Current expenditure (PES basis)	229.9	227.3	225.7	236.1	229.1	212.2	201.3	197.1	197.1
Adjustments to current expenditure	—	—	—	—	—	—	—	—	—
Relevant expenditure (RSG basis)	229.9	227.3	225.7	236.1	229.1	212.2	201.3	197.1	197.1
DHSS—Health and Personal Social Services:									
Current expenditure (PES basis)	1,158.9	1,190.3	1,210.2	1,258.1	1,284.8	1,182.9	1,206.8	1,232.8	1,260.0
Adjustments to current expenditure ⁽⁴⁾	—	-0.2	-0.2	-0.2	-0.3	-0.3	-0.4	-0.5	-0.5
Relevant expenditure (RSG basis)	1,158.9	1,190.1	1,210.0	1,257.9	1,284.5	1,182.6	1,206.4	1,232.3	1,259.5
Welsh Office:									
Current expenditure (PES basis)	704.0	700.8	705.8	716.5	657.4	685.7	659.8	630.4	607.9
Adjustments to current expenditure	-4.9	-3.2	-4.1	-5.6	-5.3	-4.5	-4.5	-4.5	-4.6
Relevant expenditure (RSG basis)	699.1	697.6	701.7	710.9	652.1	681.2	655.3	625.9	603.3

Notes: Adjustments to current expenditure:

⁽¹⁾ Expenditure on 100 per cent grant-aided scheme to strengthen the careers service.⁽²⁾ Expenditure on day training centres and imperial contributions.⁽³⁾ Expenditure on mandatory student awards inclusive of child tax allowance.⁽⁴⁾ Adjustments refer to fees paid by local authorities for young persons in youth treatment centres.

Local authority current expenditure and relevant expenditure by Department, Scotland

Table K.4

£ million at 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Scotland									
Scottish Office:									
Current expenditure (PES basis)	1,776.7	1,698.1	1,685.5	1,145.9	1,760.7	1,734.2	1,711.5	1,691.7	1,687.5
Adjustments to current expenditure	-94.5	-67.1	-76.6	-73.1	-52.4	-53.1	-55.2	-55.5	-55.9
Relevant expenditure (RSG basis)	1,682.2	1,631.0	1,608.9	1,672.8	1,708.3	1,681.0	1,656.3	1,636.2	1,631.6

ANNEX L

Public expenditure on construction

Public expenditure on construction accounts for half of the construction industry's output. However, the proportion varies between different sectors of the industry and is about 90% in the case of civil engineering. The level and composition of public expenditure is therefore of particular concern to the industry. The industry is also important to the public sector since most of public sector fixed investment and over half of total public capital expenditure is on construction work. The construction industry contributes 20 per cent to the index of industrial production.

Recent developments and prospects

Table 1 shows construction output since 1975-76. After reaching a peak in 1972-73 output fell sharply up to 1976-77. Since then it has shown a moderate recovery as a result of a fairly rapid growth in private sector work more than offsetting a small reduction in output for the public sector. The prospect for 1980-81 is for a very sharp drop in output. The expected recession is likely to produce a moderate fall in private sector work as investment expenditure is cut back. A much larger fall is expected in public sector work as a result of, in particular, the large cut-back in new house-building. Beyond 1980-81 a further fall in public sector work is expected on transport, water etc. Unless the construction share of the housing programme rises there will be a further reduction in demand from that source. On the assumption that the economy resumes modest growth, there may be some offsetting increase in the private sector.

Table 2 gives a broad functional analysis of the construction content of the baseline plans, which updates the construction table (5.2) in Cmnd. 7841. It differs from the public sector component of table 1 in that it relates to the construction component of capital expenditure and does not include repair and maintenance work: for many programmes expenditure in the latter category cannot be identified. The nature of expenditure shown by the figures therefore corresponds more to the new work component of public sector construction output than to the total for the public sector (though the price basis of table

1 relates to the national accounts, whereas that of table 2 relates to the survey). Both tables show a similar picture of a progressive decline in the public sector's demand on the construction industry in recent years. Table 1 suggests a sharper decline in 1980-81 than does table 2: this reflects the fact that table 1 takes account of prospective shortfall in 1980-81, whereas table 2 does not, since the pattern of shortfall has not yet emerged for that year. Since no decisions have been made on the allocation of the housing programme beyond 1980-81, table 2 contains no figures for housing expenditure (or therefore for the totals) for the subsequent years.

4. Table 3 shows the new construction content of additional bids and options for reductions where it is a significant (i.e. in excess of £5 million in any one year) element in those bids or options, for those Departments whose total bids and options imply significant (i.e. in excess of £15 million in any one year) changes in construction expenditure. The construction elements listed in Table 3 amount to some 5 per cent of the totals for both bids and options. (New construction represents nearly 8 per cent of total expenditure on programmes, but the 5 per cent figure of course includes only major items).

5. The options for reductions on the housing programme have not been allocated between the different components of the programme, and no construction content of those options is shown in table 7. If the Treasury's suggested allocation of the housing options were made, they would imply a reduction in new construction expenditure of the order of some £25 million in each year.

6. None of the construction elements of bids and options shown in table 3 substantially exceed £20 million in any year. The construction content of all three bids shown reaches £20 million in at least one year, but only the option for reductions on motorways, trunk roads and local transport has an impact as large as this. Most of the construction impact of the options arises on those of the Department of the Environment and the Home Office.

Construction output

Table L1

£ million at 1975 prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81
Public sector						
New work	3,989	3,865	4,061	4,380	4,370	4,085
Repairs and maintenance	1,360	1,259	1,416	1,577	1,755	1,635
Total	5,349	5,124	5,477	5,957	6,125	5,720
Public sector						
New work	4,075	4,051	3,807	3,541	3,245	2,955
Repairs and maintenance	1,982	1,950	2,056	2,308	2,490	2,165
Total	6,057	6,001	5,863	5,849	5,735	5,120
Total new work	8,064	7,916	7,868	7,921	7,615	7,040
Total all work	11,406	11,125	11,340	11,806	11,860	10,840

Capital expenditure on construction work

Table L2

£ million 1980 survey prices

	1975-76	1976-77	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84
Housing:									
New dwellings and improvements	3,222.4	3,261.5	2,913.8	2,501.0	2,364.1	1,889.0	—	—	—
Grants and loans to housing associations and improvement grants	804.8	903.4	884.4	842.3	791.7	753.4	—	—	—
Other environmental services	1,648.1	1,508.1	1,332.2	1,433.3	1,241.4	1,312.3	1,231.2	1,158.6	1,118.6
Roads and transport	1,516.1	1,382.7	1,024.0	966.2	1,040.7	1,002.8	949.5	920.8	920.5
Education	620.5	579.8	478.0	411.2	376.4	345.4	309.4	265.4	244.1
Health and personal social services	686.2	628.5	471.4	469.4	487.7	536.8	539.2	546.0	545.3
Northern Ireland	295.6	286.4	269.5	249.7	229.6	235.5	251.5	244.1	245.0
Other ⁽¹⁾	551.8	543.5	508.6	433.6	471.3	518.8	628.1	651.8	645.8
Total (excl. nationalised industries)	9,345.5	9,093.9	7,881.9	7,306.7	7,002.9	6,594.0	—	—	—
Nationalised industries:									
Electricity	260.0	245.0	204.0	218.0	194.0	208.0	241.0	254.0	247.0
Gas	441.0	242.0	185.0	190.0	206.0	292.0	321.0	256.0	221.0
Railway	270.0	189.0	169.0	235.0	146.0	147.0	157.0	159.0	158.0
Coal	86.0	105.0	125.0	193.0	235.0	262.0	269.0	243.0	231.0
Other	428.0	353.0	283.0	265.0	214.0	330.0	394.0	399.0	369.0
Total nationalised industries⁽²⁾	1,485.0	1,134.0	966.0	1,101.0	995.0	1,239.0	1,382.0	1,311.0	1,226.0
Grand total	10,830.5	10,227.9	8,847.9	8,407.7	7,997.9	78,330.0	—	—	—

(1) Includes defence new construction expenditure (which is classified as current expenditure on goods and services); industry, energy, trade and employment; law, order and protective services; and office and general accommodation.

(2) Certain capital expenditure by the British National Oil Corporation which is classified in the national accounts as new buildings and works has been excluded from this table since little of the work is produced by the construction industry.

Main new construction elements of Departmental additional bids and options for reductions

Table L.3

£ million 1980 survey prices

	1981-82	1982-83	1983-84
Additional bids			
Ministry of Agriculture			
Thames Barrier	8	21	4
Department of Trade			
Local authority airports	15	24	14
Welsh Office			
Steel: remedial measures	—	20	20
Total	23	65	38
Options for reductions			
Department of Transport			
Motorways and trunk roads and local transport	13	20	20
Department of the Environment (Treasury options)			
Regional Water Authorities	14	16	16
Local environmental services:			
capital	4	14	14
Urban programme	7	10	10
Home Office: curtail building programmes of:			
Magistrates courts	7	11	11
Police	8	15	10
Prisons	1	6	3
Second prison start	—	—	3
Department of Education and Science			
Capital expenditure	9	12	15
Total	63	104	102

ANNEX M

Economic assumptions

Main assumptions used in the survey and (in brackets) in Cmnd. 7841 % change over previous years

	1980-81	1981-82	1982-83	1983-84
Economic assumptions:				
Earnings	18 (14)	11 (11)	8 (8)	6 (6)
Retail prices	17 (15)	10 (10)	7 (7)	5 (5)
Assumed size of social security uprating in November of end year	16.5* 16.5*	10 (10)	7 (7)	5 (5)
Unemployment (GB) ('000s):				
Wholly unemployed	1,600 (1,600)	1,800 (1,800)	1,800 (1,800)	1,800 (1,800)
Total register (including school leavers, adult students and temporarily stopped)	1,775 (1,775)	2,000 (2,000)	2,000 (2,000)	2,000 (2,000)
Interest rates: (%)				
Local authority "pool" rates:				
England and Wales	12½ (12)	11½ (11½)	10½ (10½)	9½ (10)
Scotland	12½ (12½)	11½ (11½)	10½ (10½)	9½ (10)
Demographic assumptions				
Retirement pensioners ('000s)	8,810 (8,820)	8,930 (8,940)	9,000 (9,000)	9,050 (9,060)
Child benefit, nos. of qualifying children ('000s)	13,090 (13,070)	13,010 (12,990)	12,830 (12,810)	12,680 (12,660)

*Actual percentage of November 1980 uprating.

ANNEX N

Provisional outturn and shortfall in 1978-79 and 1979-80

Table N1 shows outturn in 1978-79 and provisional outturn in 1979-80 in terms of 1980 survey classifications and prices for each major Department, for Government lending to nationalised industries, for the contingency reserve, for market and overseas borrowing by nationalised industries and for the planning total. Table N2 shows the distribution of shortfall between spending authorities in 1979-80 compared with that in 1978-79. The shortfall on local authority expenditure reflects the lack of any firm information on which to base estimates of outturn for most services in 1979-80. The overall position on shortfall in 1979-80 may change when better information on outturn is available.

1. The figures for outturn are those shown in the 1980 survey baseline. The percentage shortfall for 1978-79 has however been calculated on the basis used for tables 5.4 and 5.5 in Cmnd. 7841, that is the percentage difference between the planned figure in Cmnd. 7049 (amended for subsequently announced changes) and the outturn given in Cmnd. 7841, both expressed in terms of the 1979 survey classifications and prices. This is not exactly consistent with the (more recent) estimates of outturn in absolute amounts, but resources were not available to translate the figures in Cmnd. 7049 on to the basis of the 1980 survey. However, the results provide a fair basis for comparison with the 1979-80 analysis except for the PSA and civil superannuation. In the analysis of 1978-79, all expenditure by the PSA was attributed to that Department and not to others: this is not likely to have a significant effect on the percentage shortfall of the other Departments, but a meaningful figure for the residual PSA shown in the 1980 survey cannot be calculated. Civil superannuation in the analysis of 1978-79 shortfall was combined with other CSD expenditure and thus not available for inclusion in table N1.

2. The inherited planned expenditure shown for 1979-80 in table N1 is defined as the planned figure given in Cmnd. 7439 revalued and reclassified on to the 1980 survey basis and amended to take account of policy changes announced by the last Administration — minus £250 million from the

switch of refinancing of export credit to the bankers (19/4/79), plus £15 million additional overseas aid (10/1/79), £2.5 million on hill farming compensatory allowances (28/3/79) and £0.3 million for the administrative costs of the pay comparability Commission (7/3/79). The following changes announced by the present Administration are shown in the next column:

12/6/79 Budget measures	—	—£1,228 on programmes
	—	—£250m on the contingency reserve
12/6/79 CAP price fixing	—	+£9.9m
13/6/79 Social security benefits (uprating)	—	+£199.5m
22/10/79 Assistance with fuel costs	—	+£5.7m
22/11/79 Hill livestock allowances	—	+£16.5m

The revaluation of Cmnd. 7439 has been carried out at economic category level for each departmental sub-programme. Announced changes have been revalued using the implied revaluers from survey 1979 to survey 1980 for the relevant departmental sub-programme.

4. The analysis shows shortfall in 1979-80 to be (provisionally) £1,926 million in 1980 survey prices or 2.4% of the planning total, that is 70% of the level in 1978-79. One reason for variation between plan and outturn was the low rate of inflation that has been assumed in the inherited plans (Cmnd. 7439). This contributed, for example, to the unusually large shortfall in the volume of social security shown in Table N1 and also to an over-spend in interest support provided by ECGD. Two other important factors will have affected the level of shortfall in 1979-80 compared with that of previous years. First, three months after the year had begun, the present Administration reduced the expenditure planned by the previous Administration by some £2.9 billion, i.e. 3.5% of the initial planned level. Secondly, cash limits were set at such a level that the planned volume was not expected to be achieved given the likely actual levels of inflation; this effect is estimated in total to be the equivalent of £1,025 million: £690m on central government expenditure and £335m on local

authority capital expenditure. Thus a minimum shortfall of just under half the shortfall now estimated would have occurred without any net under-spending of cash limits. It has not been possible to calculate this effect for each Department, although

it is likely to vary in relation to both the proportion of expenditure which is cash limited and the relativity between the rates of inflation applying to a Department's expenditure.

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Estimated outturn compared with planned expenditure in 1978-79 and 1979-80

Table N1

£ million at 1980 survey prices

	1978-79		1979-80				
	Outturn	% difference from planned volume	Inherited planned volume	Announced specific changes	Provisional outturn	Shortfall volume	Shortfall as % of planned volume
1. Ministry of Defence	9,024	-2.4	9,512	120	9,239	-393	-4.1
2. Foreign and Commonwealth Office (Overseas Development Administration)	861	-1.4	921	-50	835	-36	-4.1
3. Foreign and Commonwealth Office excluding ODA	335	+6.1	368	-	358	-10	-2.7
4. EEC Budget	774	+6.4	787	-	1,009	+222	+28.1
5. Intervention Board for Agricultural produce	386	-0.6	451	-	334	-117	-25.9
6. Ministry of Agriculture, Fisheries, and Food	539	-5.6	604	14	613	-5	-0.8
7. Forestry Commission	59	-11.2	71	-	68	-3	-4.2
8. Department of Industry	1,264	-14.5	1,454	-227	1,103	-124	-10.1
9. Department of Energy	450	-3.0	364	-2	446	+84	+23.2
10. Department of Trade	189	-10.3	226	-2	208	-16	-7.1
11. Export Credits Guarantee Department	384	-18.7	-215	-25	-61	+179	+74.6
12. Department of Employment	1,196	-19.5	1,638	-185	1,230	-223	-15.3
13. Department of Transport	2,913	-7.3	3,174	-14	2,993	-167	-5.3
14. Department of the Environment (housing)	4,718	-12.9	5,471	-389	4,800	-282	-5.5
15. Department of the Environment (Property Services Agency)	391	na	425	-32	365	-28	-7.1
16. Department of the Environment (excluding housing and PSA)	3,043	+2.1	3,114	-159	2,910	-45	-1.5
17. Home Office	2,371	-4.3	2,416	-	2,450	+34	+1.4
18. Lord Chancellor's Department	200	+25.1	225	-	221	-4	-1.8
19. Department of Education and Science	8,755	-2.3	9,005	-63	8,952	+10	+0.1
20. Office of Arts Libraries	392	na	392	-3	396	+7	+1.8
21. Department of Health and Social Security (health and personal social services)	9,016	-0.9	9,228	-32	9,011	-185	-2.0
22. Department of Health and Social Security (social security)	18,644	-1.2	19,655	187	19,105	-737	-3.7
23. Civil superannuation	468	na	518	-	508	-10	-2.0
24. Scotland	4,457	-5.0	4,682	-76	4,502	-104	-2.3
25. Wales	1,753	-1.6	1,757	-19	1,715	-23	-1.3
26. Northern Ireland	2,477	-1.2	2,526	-34	2,463	-29	-1.2
27. Other Departments	1,212	-12.4	1,342	-6	1,230	-106	-7.9
28. Government lending to nationalised industries	812	-53.5	1,686	-	1,700	+14	+0.9
29. VAT payments by local authorities	339	-	330	-	320	-10	-3.0
30. Total programmes	77,421	-4.4	82,127	-997	79,024	-2,106	-2.6
31. Contingency reserve	-49	-	974	-881	-	-93	-
32. Total programmes and Contingency reserve	77,372	-4.3	83,101	-1,878	79,024	-2,199	-2.7
33. Net overseas and market borrowing of nationalised Industries	523	-	-469	-	-198	+271	-
34. Special sales of assets	-	-	-	-1,000	-998	+2	-
35. Planning total	77,895	-3.4	82,632	-2,878	77,828	-1,426	-2.4

Shortfall by spending authority

Table N2

£ million at 1980 survey prices

	1978-79		1979-80		Provisional outturn	Shortfall volume	Shortfall as % of planned volume
	Outturn	% difference from planned volume	Inherited planned volume	Announced specific changes			
Central government	54,841	-4.4	58,198	-365	56,206	-1,627	-2.8
Local authorities	21,338	-2.5	22,415	-524	21,658	-233	-1.1
Other public corporations	1,243	-15.7	1,514	-108	1,160	-246	-17.5
Total programmes	77,421	-4.4	82,127	-997	79,024	-2,106	-2.6