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CABINET

PUBLIC EXPENDITURE:

PROPOSALS FOR THE YEARS AFTER 1980-81

Memorandum by the Chancellor of the Exchequer
and the Chief Secretary, Treasury

1. We have decided on public expenditure plans for 1980-81: we now have to decide how to carry through those plans for the years up to 1983-84.
2. Annex A of this paper shows proposed totals for each Department. The detailed proposals in Annex B illustrate possible ways of achieving these totals. They are not intended to foreclose any other options which the Minister concerned may want to keep open at this stage. Annex C summarises the results for total public expenditure.
3. We shall also be discussing a paper on publication of our plans (C(79) 36), a paper on the financing of the nationalised industries (C(79) 37) and the Lord President's paper on his review of Civil Service staff costs (C(79) 38).

ECONOMIC BACKGROUND

4. Our key objectives are to reduce inflation by firm control of monetary growth, to roll back the boundaries of the public sector and to reduce income tax. We have to pursue these objectives in difficult circumstances. The world economic climate is depressed, and likely to remain so for some time. At home, inflation has acquired a considerable momentum. Productivity is low. Trading performance and industry's competitiveness in international markets are weak. Reflecting these adverse developments, industrial profitability is low and investment likely to be weak.

5. The Labour Government's expenditure plans bore no relation to the realities of the economic prospect. They would have been unsustainable, like earlier plans. But their announcement has raised expectations that make it harder to bring expenditure back to its levels in the recent past. It is, however, essential to do this if intolerable burdens are not to be imposed on the private sector.

6. Though it is reasonable to hope that our economic policies will bear fruit in time, we cannot confidently take credit now for any significant growth in the Gross Domestic Product (GDP) over the next few years. So, even with the rising receipts from the North Sea, there will be little, if any, increase in real terms in total Government revenue at unchanged tax rates. The possibility of raising petroleum revenue tax in the light of higher oil prices is being examined, but the amount of additional revenue that it would produce, though welcome, would not make a major difference to the public sector borrowing requirement over the next few years.

7. Even with the expenditure levels proposed in this paper it will be hard to hold the borrowing requirement to around its present proportion of GDP without some real increase in taxation. We are committed to a substantial reduction in income tax, and there is little scope for raising indirect taxes without a significant impact on prices. If we do not limit the public sector's demand for finance it will probably be impossible to avoid higher interest rates - which would not only be very unpopular with mortgagors but would add to industry's financing problems.

8. The conclusion is inescapable. Given the difficult prospect for the economy in the next few years, it is only through substantial reductions in the inherited expenditure plans for the years after 1980-81 that we shall be able to implement our policies for the money supply and taxation - which form the core of our economic strategy. Our ability to face up to this issue will be seen as a crucial test of our determination to stick to our announced policies, and will thus play a vital part in affecting expectations.

9. The reductions proposed in this paper are the very minimum that would be compatible with our objectives for bringing down inflation and reducing the tax burden.

CONSEQUENCES FOR INDIVIDUAL PROGRAMMES

10. Between 1970-71 and our agreed 1980-81 plans, public expenditure will have risen by almost one-third (in volume terms). This is twice as much as the likely growth in GDP during the same 10 years, and is equivalent to some £16 billion at 1979 Survey prices. Of that £16 billion, some £13½ billion - or about four-fifths - is accounted for by five items: social security (£7 billion), health and personal social services (£2 billion), housing (current) (£2 billion), education (£1½ billion) and the EEC (£1 billion). Social security is now a quarter of the total; defence, health and education each constitute around 12 per cent; housing is about 7 per cent of the total.

11. We have to stop public expenditure growing. The total in 1978-79, the last full year of the previous Government, was too high. Even to keep the total stable over the period ahead, some programmes need to be reduced. That is because we are giving priority to defence and law and order, and allowing those programmes to grow significantly over the period, by around 16 per cent and 13 per cent respectively from 1978-79 to 1983-84. We are also allowing the health programme to grow, and the social security programme cannot be reduced much. Nor can any precise assumption be made about the effect of our renegotiation of our contribution to the EEC, which will otherwise continue to grow rapidly.

12. As a result of the increases in the above programmes, virtually all the remaining programmes need to fall over the period ahead. The biggest absolute reductions are proposed in housing and education, but other programmes, though smaller, also have to contribute to the adjustment.

13. The level of expenditure proposed for each Department is shown in Annex A. What this could mean in detail, in terms of changes from the plans in the last White Paper, is shown in Annex B.

14. Comments follow on the largest programmes. The overall picture is considered in paragraphs 36-37.

I - PRIORITY PROGRAMMES

Defence

15. The proposals are designed to allow for 3 per cent per annum growth in cost terms from 1980-81 onwards, implying a figure in 1983-84 nearly £1.2 billion higher than in 1978-79. This would compare very favourably with the performance of most other countries to date in relation to the NATO target. Even these figures should, however, be regarded as provisional pending further consideration of the requirements for United Kingdom defence expenditure.

Law and Order

16. The proposals are designed to carry out the undertakings we gave in the Manifesto and The Queen's Speech to ensure that the law is enforced more effectively. They provide for a rise of one-eighth in the Home Office programme from 1978-79 to 1983-84. The main increases are for the police and supporting services; they allow for the continued expansion of police numbers up to authorised establishments. There should also be small increases in the court, prison, probation and immigration services. Expenditure on community services, including those for ethnic minorities, should however remain at its existing level.

II - PROGRAMMES DIFFICULT TO REDUCE

Social Security

17. This programme grew by one quarter during the previous Administration, as a result largely of increased numbers and extension of eligibility, and the policy of uprating long-term benefits by the greater of earnings or prices, so that benefit levels improved in real terms. We must rein back the growth in this programme. We have already decided that upratings (of all benefits) need give protection against price increases only. The further measures now proposed include abolition of the earnings-related supplement (which we rejected earlier this year but might now be pursued for later years), and the introduction of a compulsory employers' sick pay scheme so as to secure substantial savings of sickness benefit payments. The figures consequently show a slight fall in the total

programme between 1980-81 and 1983-84. However, this is before making provision for any improvement in the cash value of child benefit (this has been taken into account in the proposals below for the contingency reserve). The proposals also do not allow for the possibility that unemployment (and hence expenditure on unemployment benefit) may turn out to be larger than so far assumed in the programme figures.

Even with the changes proposed, this programme will continue to be far the largest, and to take a very substantial slice of our available resources.

Health

18. The proposals are in accordance with our Manifesto commitment not to reduce gross spending by the National Health Service (NHS). The pressure for further increases, particularly in 1983-84, to meet demographic and other changes should be met in three ways: by the steps being taken to eliminate waste and improve efficiency which will make the available resources go further; by the encouragement of private practice which will relieve some of the pressures on the NHS; and by increased charges (and possibly reducing the scope of the present exemptions).

EEC Contributions (including the Intervention Board for Agricultural Products)

19. The figures shown are realistic estimates of the cost of our contribution to the EEC calculated on the present basis. By 1983-84 they amount to £2,028 million, which is higher by £722 million than provided for in the last plans published by the previous Government. It would be imprudent to take credit for a particular reduction before it has been achieved by re-negotiation. We should however regard the figures as particularly provisional and aim to reduce them substantially. They demonstrate how vital it is to succeed in re-negotiating the basis of our contribution.

III - PROGRAMMES BEARING THE BURDEN OF ADJUSTMENT

Housing

20. We inherited plans to spend almost £5½ billion a year on housing by 1982-83, nearly half of it on subsidies. It is imperative to reduce the burden of such subsidies. Rents will need to increase faster than the rate of growth of earnings. The proposal is that in each year from 1981-82, when the new housing subsidy system is in place, rents should rise by £1.50 a week in real terms more than the percentage growth in earnings.

21. We shall need to place greater reliance on the private sector both for investment and finance. The Secretary of State for the Environment's proposals for council house sales and savings on municipalisation are welcome. As for new building, a public sector programme (local authorities, new towns and housing associations) of 50-60,000 houses a year will be adequate to meet those needs for which the private sector may not provide. Within that total, local authorities are assumed to build 40,000 houses a year, little less than their current annual rate of tender approvals.

Education

22. The proposals envisage a decrease of 10 per cent in expenditure on education and science from 1978-79 to 1983-84. During that time the number of primary and secondary pupils is expected to fall by 13 per cent while the number of home students in higher education might, if unrestricted, rise by 11 per cent. The main effect of the proposals would be to halve expenditure on school meals and milk, to stabilise other school expenditure per pupil and to hold the number of home students in higher education at or just below the 1978-79 level. There are no proposals to increase the parental contribution to student grants or to reduce the present level of nursery education.

Roads and Transport

23. The proposals envisage a decrease of 15 per cent in expenditure on roads and transport between 1978-79 and 1983-84 but still leave a substantial programme (over £2 billion a year). Expenditure on motorways and trunk roads (which was cut back by the last Administration) could continue at the same level as in 1978-79. The main decreases would occur on local road and transport projects and on revenue subsidies but it is in keeping with our policies that, over time, more of the cost of public transport should be borne by the user and less by the taxpayer or ratepayer.

Department of the Environment - Other Environmental Services

24. The proposals take credit for the decision to abolish the Community Land Scheme. They maintain investment by the Regional Water Authorities at its 1978-79 level. The proposed provision for current expenditure on local environmental services takes account of the announced intention to legislate to allow local authorities to charge for planning permissions and for the enforcement of building regulations.

Employment

25. The proposals would produce a level of expenditure on employment and training of only a shade under £1,000 million a year by 1982-83, which would still be more than twice the level of five years ago. They make no provision for continuing the Department's temporary employment measures (the present programme is due to close for applications in March 1980). Programmes operated by the Manpower Service Commission (which includes the Youth Opportunities programme) would level off after the rapid expansion of recent years. No provision is made for a permanent short-time working scheme.

Industry

26. The proposals for the most part flow directly from the major decisions already agreed and announced, in fulfilment of the Manifesto, to reduce expenditure on selective industrial assistance and the activities of the National Enterprise Board, and on regional development grant. Further savings will however be needed to maintain the additional 3 per cent cut agreed for 1980-81.

Overseas Services - Foreign and Commonwealth Office

27. Overseas aid should no longer be regarded as sacrosanct. The proposed reductions would bring expenditure £70 million (6 per cent) below the 1978-79 level by 1982-83; it would not however go below 1977-78. Pending decisions on the general review of Civil Service staff costs, the savings indicated for the diplomatic service are simply a continuation of those agreed for 1980-81. The reductions shown for the British Council are subject to the outcome of the review of the British Council's activities.

Personal Social Services

28. The proposals would restrict spending on personal social services by 1983-84 to about 9 per cent below the 1978-79 level. This would mean some cutbacks in service, but, in spite of the demographic pressures, the effect should be mitigated by our policy of helping people to help themselves and of encouraging the voluntary sector to play a major role in partnership with local authorities.

Agriculture

29. Domestic agricultural expenditure was not touched in the Budget and the farming community has had the benefit of two substantial devaluations this year in the green pound. Reduced expenditure totals in 1980-81 were agreed in July but the policy decisions needed to confine expenditure within them were left for discussion between agricultural Ministers. For future years reducing capital grants seems to offer the most practicable means of achieving the necessary level of savings and the proposals reflect this.

Arts and Libraries

30. The proposals will mean some reduction by 1983-84 as compared with 1978-79. So far as libraries go, this could be met in part by postponing or cancelling the controversial new British Library building, while the effects on the arts programme (which has shown substantial growth over the past few years) should be mitigated by increased private contributions due in part to our policy of reducing personal taxation. Provision is made for the proposed new Heritage Fund.

Other

31. Most of the remaining Departments - Trade, Energy, Property Services Agency, Her Majesty's Stationery Office, Central Office of Information, Scotland, Wales, Northern Ireland - will also have to share in the adjustment, as shown in Annex A. (The changes proposed for Scotland, Wales and Northern Ireland are generally proportionate to the changes in other programmes. They are provisional and will need to be adjusted in step with our decision on other programmes.)

Contingency Reserve

32. There are bound to be some further requirements which we will need to meet, some of them not within our control. For example, the present programmer make no provision for increases in the cash value of child benefit during the Survey period, or in social security payments if unemployment turns out higher than assumed. Even so, we can and should make cuts in the inherited contingency reserve, to tighten discipline here too. The cuts shown in the summary table in Annex C would reduce the contingency reserve to:-

	1981-82	1982-83	1983-84
£ million	1500	2000	2500

These levels are needed in order to retain a modest degree of flexibility in a period far ahead.

Civil Service Manpower

33. Where our decisions on 1980-81 included savings in Civil Service staff, the proposals in Annex A assume that these are projected forward to the later years of the Survey period; but they do not take credit for further decisions on staff savings to be taken in the context of the Lord President of the Council's proposals. Some broad allowance is however made for further savings on this account in the summary figures in Annex C.

Local Authorities

34. The proposals imply percentage reductions in the totals of local authority current and capital spending (England and Wales), by comparison with 1978-79, as follows:-

	1980-81	1981-82	1982-83	1983-84
Current	2½%	5%	8%	7%
Capital	15½%	24%	29%	31%
Total	5½%	9%	12½%	12½%

35. We have already entered discussions with the local authority Associations about the likely pattern of their current spending within the revised total for 1980-81, and we shall be able to take account of their views in our published plans. But we have no time for similar detailed discussions about the figures for the later years if these too are to be published before Christmas. In any case the Associations would probably be unable to add significantly at this stage to their comments. Once we have published our plans for the later years, these will be the basis for full discussion with the Associations next year, as part of the normal annual cycle for reviewing their expenditure.

36. We could however indicate to the local authority Associations, in the next few weeks, the broad magnitude of the further reductions in their current spending which we have in mind to publish towards the end of the year. It would be somewhat artificial to give figures covering the three year period to 1983-84 without including capital expenditure. But capital expenditure can only be discussed sensibly on the basis of detailed service figures, and, as a starting point, we would need to give the Associations our revised plans for 1980-81. Anything we said to the Associations would probably become public. (The arguments concerning publication are discussed in C(79) 36.)

The Overall Picture

37. The table at Annex C shows that, if the proposed reductions were made in full, they would bring the planning total (excluding debt interest) in volume terms back close to the 1977-78 level by 1982-83 and well below the last inherited level in 1978-79, in volume terms. (The 1977-78 and 1978-79 figures have been adjusted both to remove the sale of British Petroleum shares in 1977-78 and by adding in that part of family support which in 1977-78 and 1978-79 was met by child tax allowances and is now provided by child benefit.)

38. These proposals mean that total public expenditure will decline, over the quinquennium under consideration, by about $\frac{1}{2}$ per cent per annum (on average, comparing 1983-84 with 1978-79). Over the quinquennium for which the last Government were responsible, total public expenditure rose by about 1 per cent per annum (comparing 1978-79 with 1973-74). What is proposed cannot therefore be described as tearing up the public sector by the roots. But it does represent a deliberate and necessary pruning of the demands which it makes on the economy and the taxpayer.

CONCLUSION

39. The Cabinet are invited:-

- i. to consider the proposals in Annex A for provisional figures within which each Department should plan expenditure for the years 1981-82 to 1983-84, and to agree that the Chief Secretary, Treasury should undertake bilateral discussions with those Ministers who require them, reporting back to Cabinet on 18 October;
- ii. to decide whether in the meantime the local authority Associations should be given an opportunity to express a view on the proposals affecting them, on the lines indicated in paragraph 35.

G H
J B

Treasury Chambers

7 September 1979

SUMMARY OF REVISED CMND 7439 (REVALUED)

Department	£m 1979 Survey prices					
	1977-78	1978-79	1980-81	1981-82	1982-83	1983-84
Defence Programme	7,550	7,479	8,062	8,250	8,450	8,650
FCO (ODA)	774	839	840	810	775	775
FCO (other)	270	293	290	276	272	271
EEC Budget (incl IBAP)	958	1,164	1,481	1,549	1,784	2,028
MAFF/DAFS/WOAD (excl IBAP)	748	567	586	494	436	403
Forestry Commission	52	54	57	58	58	59
Industry	1,050	1,016	995	812	644	610
Trade	184	170	183	153	140	140
ECCGD	-173	432	134	57	17	-38
Employment	1,039	1,111	1,139	1,045	969	968
Energy	309	406	312	299	281	272
Transport	2,513	2,507	2,421	2,266	2,142	2,142
DOE (housing)	4,617	4,376	4,296	3,825	3,448	3,128
DOE (PSA)	370	357	327	324	303	303
DOE (other)	2,562	2,588	2,481	2,417	2,356	2,356
Home Office	1,959	2,049	2,150	2,212	2,269	2,304
Lord Chancellor's Dept	117	124	151	161	169	176
Education & Science	8,084	8,274	7,958	7,743	7,571	7,373
Arts & Libraries	342	352	348	324	313	313
DHSS (health)	6,246	6,421	6,586	6,642	6,769	6,769
DHSS (personal social services)	1,076	1,112	1,066	1,033	1,008	1,008
DHSS (social security)	16,595	18,212	19,285	19,025	18,854	19,161
HMSO	90	99	90	85	80	80
CSD (civil superannuation)	385	407	465	494	524	558
COI	24	28	25	23	22	22
Scottish Office (excl DAFS)	3,628	3,693	3,645	3,579	3,509	3,460
Welsh Office (excl WOAD)	1,038	1,095	1,058	1,023	999	982
Northern Ireland (inc NIO)	2,036	2,239	2,148	2,106	2,076	2,067
TOTAL	64,443	67,464	68,579	67,085	66,198	66,340

1. The difference between these totals and line 1 of Annex C arises because the above list excludes certain Departments which are dealt with in the Lord President's Review.
2. Figures for 1977-78 and 1978-79 are estimated outturns.

SECRET

ANNEX A

PUBLIC EXPENDITURE CHANGES:
CONSEQUENCES FOR LATER YEARS OF THE SURVEY PERIOD

DETAILED ANALYSIS

£m 1979 Survey prices
 Additions (+) and Reductions(-) to
 Cmnd 7439 revalued ø

Department	1980	1981	1982	1983
Programme	-81	-82	-83	-84
Defence/UK (3% growth in cost terms on 1980-81 total)	-115	+ 31	+223	+423
FCO (ODA) UK (reduce to 1977-78 level by 1982-83) overseas aid (including aid administration and overseas pensions)	-115	-200	-292	-292
FCO (Other) UK				
Overseas Representation-Diplomatic Service	- 2½	- 2½	- 2½	- 2½
-Diplomatic Estate	- 3	- 5	- 5	- 5
BBC External Service	- 4	- 4	- 4	- 4
British Council	- 3	- 10	- 15	- 15
Other External Relations	- 2	- 7½	- 7½	- 7½
Military Assistance	-	-	- ½	- ½
	- 15	- 29	- 35	- 35
EEC Budget (including IBAP) UK programme 2.7	+212	+335	+478	+722
MAFF/DAFS/WOAD UK (IBAP is shown as part of EEC Budget)				
MAFF/DAFS/WOAD reduced requirements	- 15	- 6	- 9	- 12
beef premium	- 2	- 2	- 2	- 2
End sheep and Potato price guarantees	- 9	- 9	- 9	- 9
MLC administration	- 2	- 5	- 5	- 5
capital grants	-	- 44	- 61	- 59
R & D ADAS etc	- 4	- 7	- 10	- 10
Land sales etc	- 18	-	-	-
Salaries	- 2	- 2	- 2	- 2
Reduced LFA allowances	-	- 7	- 8	- 8
other minor options	- 2	- 2	- 4	- 7
Restructure fishing industry	+ 3	+ 3	+ 3	+ 3
sea fisheries protection	+ 3	+ 5	+ 6	+ 3
Thames barrier (MAFF only)	+ 37	+ 2	+ 3	- 23
Strategic food stockpile	+ 1	+ 3	+ 3	+ 3
	- 10	- 71	- 96	- 129
Forestry Commission GB land purchases, new planting etc	- 5	- 5	- 6	- 5

ø Except for 1983/84, which was not included in Cmnd 7439; in this case changes are from the 1982/83 figures which are repeated for that year.

S E C R E T

	1980 -81	1981 -82	1982 -83	1983 -84
<u>Industry</u> part GB, part UK, part Eng				
reductions already agreed	- 35	- 42	- 29	- 33
estimating changes	+ 24	+ 15	- 3	- 21
RDG	-133	-170	-179	-195
regional selective assistance	- 1	- 5	- 7	- 8
Land and Buildings	-	-	- 8	- 8
R & D	- 7	- 10	- 23	- 10
NEB	-	- 46	- 97	- 86
selective assistance for individual industries	- 5	- 8	- 20	- 12
reduction in provision for future industrial support	-	- 2	- 27	- 43
additional 3 per cent off the resulting programme	- 30	- 25	- 15	- 15
	<u>-187</u>	<u>-293</u>	<u>-408</u>	<u>-431</u>
<u>Trade</u> UK				
Tourism	- 3	- 5	- 8	- 7
Export promotion	- 2	- 5	- 7	- 8
Trade regulation	- 9	- 5	- 5	- 5
Local authority consumer protection	- 3	- 5	- 7	- 7
Local authority loan sanction	- 1	- 2	- 2	- 2
Central and miscellaneous	- 1	- 1	- 1	- 1
Shipping	+ 3	-	-	-
Civil Aviation Authority	+ 1	-	-	-
	<u>- 15</u>	<u>- 23</u>	<u>- 30</u>	<u>- 30</u>
<u>ECCD</u> UK				
70% Foreign financing	- 4	- 16	- 31	- 34
estimating changes	+174	+ 127	+ 58	+ 6
	<u>+170</u>	<u>+111</u>	<u>+ 27</u>	<u>- 28</u>
<u>Employment</u> GB				
reduced requirements	- 61	- 68	-107	-137
effect of Budget cuts	-159	-	-	-
short-time working	-207	-445	-445	-445
MSC & Other (including additional 3% cut)	- 86	-132	-164	-134
	<u>-513</u>	<u>-645</u>	<u>-716</u>	<u>-716</u>
<u>Energy</u> GB				
changes already made	- 4	+ 2	+ 2	- 7
OSIRG (or alternative if this is not possible)	- 3	- 1	- 2	- 3
non-nuclear R & D and energy conservation	-	- 5	- 11	- 12
Nuclear R & D	-	- 12	- 22	- 20
additional 3% off the resulting programme	-	- 5	- 5	- 5
	<u>- 7</u>	<u>- 21</u>	<u>- 38</u>	<u>- 47</u>
NCB assistance will be subject of Nationalised Industries' Financing & Investment Review.				

S E C R E T

	1980 -81	1981 -82	1982 -83	1983 -84
<u>Transport</u> part Eng, part GB				
motorways and trunk roads	- 35	- 48	- 54	- 54
local capital	- 70	- 65	- 94	- 94
local maintenance and car parks	- 5	- 20	- 49	- 49
local administration	- 8	- 16	- 38	- 38
local subsidies	- 27	- 57	- 72	- 72
local concessionary fares	- 19	- 34	- 40	- 40
BR and NFC pensions	- 73	- 73	- 73	- 73
BR other grants	- 9	- 16	- 24	- 24
freight facilities grant	- 3	- 3	- 3	- 3
new bus grant	- 3	- 5	- 4	- 4
R & D and administration	- 1	- 2	- 4	- 4
ports	- 3	- 2	- 5	- 5
assistance to PLA	+ 6	+ 2	-	-
additional 3% - extension of agreed contribution for 1980-81	-	- 20	- 20	- 20
.. balance of full 3%	-	- 45	- 45	- 45
	-250	-404	-525	-525

1981-82	- 35	- 45	- 70	- 100
capital programme	- 70	- 35	- 25	- 25
1982-83	- 10	- 10	- 10	- 10
1983-84	- 50	- 30	- 50	- 70
	+ 5	+ 30	+ 25	+ 75
	- 90	- 35	- 70	- 105
	- 970	- 1260	- 2035	- 2355

Cost by 1980 private finance.

S E C R E T

DOE (Housing) Eng	1980 -81	1981 -82	1982 -83	1983 -84
Capital				
Council House Sales	- 40	-100	-100	- 75
Local authority investment:				
acquisition of existing building	-130	-130	-130	-130
new housebuilding (40,000 approvals pa)	-455	-580	-650	-685
land	-120	-140	-140	-140
improvements	+ 50)	- 20	- 20	- 20
other	- 2)			
Improvement grants	- 60	- 50	- 50	- 50
New town investment	- 25	- 25	- 25	- 25
Housing associations	- 75*	-115	-125	-165
First time purchasers	- 54	- 85	- 85	- 85
LA mortgages	+ 31	+ 40	+ 50	+ 55
Total capital	-880	-1205	-1275	-1320
Current				
Subsidies:				
rents £1.50pw above earnings from 1981-82	} - 35	-250	-450	-650
management and maintenance		- 45	- 70	-100
reduction in capital programme etc		- 70	-235	-280
LA mortgage subsidy-forgo	- 10	- 10	- 10	- 10
Option mortgage scheme	- 50	- 30	- 60	- 70
Rent allowances	+ 5	+ 50	+ 65	+ 75
Total current	- 90	-355	- 760	- 1035
Grand total	-970	-1560	-2035	-2355

* to be offset by +£60m private finance.

S E C R E T

DOE (PSA) UK	1980 -81	1981 -82	1982 -83	1983 -84
running costs	- 13	- 15	- 23	- 29
major new works-dispersal (assuming all uncommitted dispersal expendi- ture cancelled)	- 31	- 33	- 33	- 30
major new works - other	- 12	- 13	- 25	- 22
administration	- 3	- 4	- 5	- 5
additional 3% off remaining programmes (for 1980-81, included above)	-	- 5	- 5	- 5
	<u>- 59</u>	<u>- 70</u>	<u>- 91</u>	<u>- 91</u>
DOE (other) Eng				
Land drainage	- 2	-	-	-
Regional Water Authorities	- 58	- 55	- 55	- 55
British Waterways Board	- 2	- 3	- 4	- 4
Local environmental services- current	- 55	-106	-146	-146
Local environmental services- capital	- 20	- 33	- 55	- 55
New Towns	- 24	- 6	- 8	- 8
Administration and research	- 1	- 14	- 18	- 18
Community Land	- 57	- 56	- 54	- 54
Urban programme	- 30	- 40	- 50	- 50
Development Commission	- 1	- 2	- 3	- 3
Parliamentary building	-	- 1	- 1	- 1
Miscellaneous	-	- 4	- 6	- 6
National Heritage Fund	+ 5	-	-	-
	<u>-245</u>	<u>-320</u>	<u>-400</u>	<u>-400</u>
Home Office Eng+ W				
Manpower redns (consequences of 1979-80 squeeze)	- 3	- 3	- 3	- 3
Ethnic minorities	- 5	- 9	- 13	- 13
Other community services (including EOC and RRC)	- 3	- 3	- 3	- 3
Crown prosecutions, legal aid etc	-	-	+ 3	+ 9
Magistrates Courts running expenses (net fees and fines)	+ 1	-	+ 1	+ 1
Prison - staff	+ 7	+ 7	+ 7	+ 7
- industries and education	+ 3	+ 3	+ 3	+ 3
- capital	-	-	-	+ 3
Probation manpower	+ 3	+ 3	+ 5	+ 6
Police - manpower	+ 6	+ 18	+ 28	+ 37
- civilian and central support	+ 6	+ 11	+ 17	+ 17
- pensions	-	-	-	+ 8
Fire pensions	-	-	-	+ 3
Immigration control	+ 1	+ 2	+ 2	+ 3
Capital programmes (police, probation, mag.courts)	+ 5	+ 7	+ 8	+ 12
Computers	+ 1	+ 2	+ 1	+ 2
Vietnamese refugees	+ 2	+ 2	+ 1	-
Registration of electors	-	+ 1	+ 1	+ 1
	<u>+ 24</u>	<u>+ 41</u>	<u>+ 58</u>	<u>+ 93</u>

S E C R E T

	1980 -81	1981 -82	1982 -83	1983 -84
<u>Lord Chancellor's Department(Eng+W)</u>				
PSA building	- 5	- 3	- 1	-
legal aid, other current	- 1 $\frac{1}{2}$	- 1 $\frac{1}{2}$	- 1	+ 3
verbatim reporting	+ 1	+ 1 $\frac{1}{2}$	+ 1	+ 2 $\frac{1}{2}$
additional judges	+ 1 $\frac{1}{2}$	+ 1	+ 1	+ 1 $\frac{1}{2}$
	<u>- 4</u>	<u>- 1</u>	<u>-</u>	<u>+ 7</u>
<u>Education and Science (Mostly Eng. & W universities (GB))</u>				
under fives	- 20	- 30	- 35	- 45
school transport	- 20	- 35	- 50	- 60
school meals and milk	-200	-200	-200	-200
school teachers and non-teaching costs	- 63	-160	-220	-320
school building	- 12	- 30	- 35	- 35
higher education: current	- 46	-100	-150	-150
non-advanced further education: current	- 8	- 50	- 80	- 85
higher and FE building	- 13	- 30	- 35	- 35
overseas students	- 24	- 50	- 80	- 90
Award scheme for 16-18s	- 11	- 15	- 3	-
Youth service	- 3	- 5	- 10	- 10
adult education	- 10	- 15	- 15	- 15
inspection & administration	- 5	- 15	- 15	- 15
estimating changes	+ 8	+ 1	- 25	- 53
Science	- 8	- 15	- 20	- 20
assisted places scheme	-	+ 40	+ 55	+ 55
miscellaneous education expenditure	- 2	-	-	-
	<u>-437</u>	<u>-709</u>	<u>-918</u>	<u>-1078</u>
<u>Arts and Libraries part Eng, part Eng+W part GB, part UK</u>				
New heritage fund	+ 5	-	-	-
British Library building & services	- 6	- 9 $\frac{1}{2}$	- 11	- 11
Arts Council	- 3	- 4	- 5 $\frac{1}{2}$	- 5 $\frac{1}{2}$
museums and galleries capital	-	- 1 $\frac{1}{2}$	- 3 $\frac{1}{2}$	- 3 $\frac{1}{2}$
museums and galleries current	- 2	- 2	- 7	- 7
South Bank Theatre Board & Housing the Arts: capital	-	- 1 $\frac{1}{2}$	- 1 $\frac{1}{2}$	- 1 $\frac{1}{2}$
local libraries	- 15	- 25	- 34 $\frac{1}{2}$	- 34 $\frac{1}{2}$
local museums	- 2	- 3 $\frac{1}{2}$	- 5	- 5
additional 3% off the resulting programme	-	- 5	- 5	- 5
	<u>- 23</u>	<u>- 52</u>	<u>- 72</u>	<u>- 72</u>
<u>DHSS (health) Eng</u>				
prescription etc charges increase announced in the Budget	- 46	- 42	- 41	- 41
charges to foreign visitors	-	- 21	- 21	- 21
reduced requirements general medical etc	- 2	- 2	- 2	- 2
prescription charge to 70p	- 32	- 31	- 30	- 30
welfare milk	- 3	- 3	- 3	- 3
road casualties, full or increased recovery/costs	- 2	- 57	- 57	- 57
	<u>- 85</u>	<u>-156</u>	<u>-154</u>	<u>-154</u>

S E C R E T

S E C R E T

	1980 -81	1981 -82	1982 -83	1983 -84
<u>DHSS (personal social services) Eng</u>				
effects of 1979-80 measures	- 10	- 10	- 10	- 10
further reductions	- 78	-141	-209	-209
additional 3% off the resulting programme	- 30	- 30	- 30	- 30
	<u>-118</u>	<u>-181</u>	<u>-249</u>	<u>-249</u>
<u>DHSS (social security) GB</u>				
estimating reductions	-329	-381	-277	+ 72
changes announced on 13 June	+332	+335	+332	+332
continued effects of 1979-80 cash limits squeeze	- 8	- 8	- 8	- 8
prices only uprating	- 84	-265	-380	-505
increased fraud investigation etc	- 20	- 20	- 20	- 20
further effort on fraud	- 30	- 30	- 30	- 30
child dependency allowances	- 10	- 30	- 45	- 55
make employers responsible for first six weeks of sickness pay	-	-	-350	-350
freeze earnings limit for pensioners' wives	- 8	- 13	- 18	- 18
eliminate 'creep'	- 35	-	-	-
abolish earnings related supplement phasing out earnings rule for retirement pensioners and EEC directive on sex equality	-	-260	-260 + 35	-260 +128
	<u>-192</u>	<u>-672</u>	<u>-1021</u>	<u>-714</u>
<u>HMSO GB</u>				
reduced services	- 7	- 12	- 18	- 18
additional 3% off the resulting programme	- 3	- 2	- 2	- 2
	<u>- 10</u>	<u>- 14</u>	<u>- 20</u>	<u>- 20</u>
<u>CSD (civil superannuation only) GB</u>	<u>-</u>	<u>- 3</u>	<u>- 2</u>	<u>+ 32</u>
<u>COI GB</u>				
publicity	- 2	- 4	- 5	- 5
additional 3% off the resulting programme	- 1	- 1	- 1	- 1
	<u>- 3</u>	<u>- 5</u>	<u>- 6</u>	<u>- 6</u>
<u>Scotland (encl. DAFS) S</u>				
comparable programmes	-230	-363	-465	-515
trade, industry etc	- 25	- 38	- 41	- 40
	<u>-255</u>	<u>-401</u>	<u>-506</u>	<u>-555</u>

S E C R E T

S E C R E T

	1980	1981	1982	1983
	-81	-82	-83	-84
<u>Wales (excl. WOAD) W</u>				
Industry etc	- 10½	-15½	- 16	- 17½
housing	- 49	-76½	-100	-115½
roads and transport	- 14	- 27	- 35	- 35
other environmental services	- 19	- 19	- 23½	- 23½
education	- 2½	- 3	- 4	- 4
health	- 5	- 9½	- 8½	- 8½
personal social services	- 6½	- 10	- 14	- 14
	<hr/>	<hr/>	<hr/>	<hr/>
	-107	-161	-201	-218
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Northern Ireland NI</u>	- 90	-156	-203	-212
	<hr/>	<hr/>	<hr/>	<hr/>
<u>Other UK</u>				
Consequential reductions in local authorities VAT payments	- 17	- 24	- 31	- 32
	<hr/>	<hr/>	<hr/>	<hr/>
GRAND TOTAL	-3441	-5658	-7269	-7117

'figures for Scotland, Wales and Northern Ireland may be affected by changes to the preceding Departmental figures from which they are largely derived.

£m at 1979 Survey prices

	<u>1973-74</u>	<u>1977-78</u>	<u>1978-79</u>	<u>1980-81</u>	<u>1981-82</u>	<u>1982-83</u>	<u>1983-84</u>
<u>Before Changes</u>							
1. Total programmes (excl NIs)*	64650 ∅	66899 ∅	69162	73335	74080	74770	74750
2. NIs' total borrowing (new definition)*	1924 /	771	1132	750	700	700	700
3. Contingency reserve	-	-	-	1527	2197	2750	2750
4. Shortfall	-	-	-	-1000	-1000	-1000	-1000
5. TOTAL BEFORE CHANGES (lines 1-4)	66574	67670	70294	74612	75977	77220	77200
<u>Changes</u>							
6. Changes proposed in Annex B	-	-	-	-3441	-5658	-7269	-7117
7. Sales of assets	-	-	-	-500	- 50	+ 50	+ 50
8. Reductions in NIs' total borrowing and from extra staff savings	-	-	-	-500	-925	-1200	-1550
9. Reduction in contingency reserve	-	-	-	-777	-697	-750	-250
10. TOTAL AFTER CHANGES (lines 5-9)	66574	67670	70294	69394	68647	68051	68333

* Outturn for 1973-74, 1977-78 and 1978-79; Cmnd 7439 revalued for 1980-81 to 1983-84.

∅ (a) BP share sale proceeds of £697m are added back in 1977-78.

(b) To make the figures comparable with later years, the cost of that part of family support which in 1973-74, 1977-78 and 1978-79 was provided through child tax allowances rather than through child benefit has been added into the social security figures.

/ Excluding short-term borrowing and leasing.

SECRET

SECRET

ANNEX C