



CABINET OFFICE
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Public expenditure*

30 November 1983

"PUBLIC EXPENDITURE AS A PERCENTAGE OF GDP"

You asked for a reconciliation between the estimate in the Public Expenditure White Paper ($44\frac{1}{2}\%$) and the OECD estimate (47.3%) quoted in the answer to a recent PQ.

The attached table gives a simplified reconciliation. The OECD treatment of certain pension schemes which inflates the UK public expenditure percentage by 1.3% has a similar effect on all the countries of the Community. The comparative position of the countries shown in the answer to the PQ is not significantly altered by it.

I am copying this to John Graham in the Treasury who has expressed an interest in the reconciliation.

Howard Morrison

HOWARD MORRISON

Mr A Turnbull
10 Downing Street

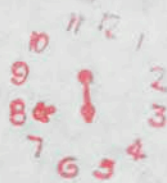
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Public expenditure as % of GDP
Reconciliation of Command 8789 and OECD estimates

	%
Command 8789 Chart 1.6	
Planning total plus net debt interest ⁽¹⁾ for 1981/2	44.5
adjustment to gross debt interest	+ 3.2
other national accounts adjustments (net)	- 0.4
(National Accounts) general government expenditure 1981/2	47.4
conversion to calendar year (1981)	- 1.5
adjustment for OECD treatment of certain pension schemes	+ 1.3
other adjustments to OECD basis (net)	0.1
OECD total outlays of government	47.3

(1) includes also local authority payments of VAT and non-trading government capital consumption.

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Mr. Biffen: I have been asked to reply.

No. How the police respond to information they receive is an operational matter for each individual chief officer of police.

"Tameside: The Case for Aid"

Q53. **Mr. Pendry** asked the Prime Minister if she will make a statement on the conclusions of the booklet published by the metropolitan borough of Tameside "Tameside: The Case for Aid", a copy of which has been sent to her.

Q54. **Mr. Andrew F. Bennett** asked the Prime Minister if she has studied the booklet published by the metropolitan borough of Tameside "Tameside: The Case for Aid" a copy of which has been sent to her by the hon. Member for Denton and Reddish; and if the Government will now give Tameside the same treatment as other areas with similar problems.

Mr. Biffen: I have been asked to reply.

Tameside's case for assisted area status, and for designation under the Inner Urban Areas Act has been regularly reviewed. My right hon. Friends at the Departments of the Environment and Trade and Industry will assess the material in the booklet "Tameside: The Case for Aid" in relation to other relevant facts and the claims of other areas. It is too early to say what the coverage of a revised assisted areas map might be. The White Paper on regional industrial policy, which my right hon. Friend the Secretary of State for Industry will publish shortly, will seek views on this aspect of regional industrial policy.

NATIONAL FINANCE

European Community (Budget)

Mr. Austin Mitchell asked the Chancellor of the Exchequer how the European Community Commission reached its figure showing that the United Kingdom contribution to the European Community budget was less than Her Majesty's Government had claimed.

Mr. Ian Stewart: The Commission suggested changing the definition of Community expenditure used for calculating budgetary burdens so as to exclude part of administrative expenditure and the part of CAP guarantee expenditure which corresponds to food aid restitutions and sugar imports from ACP countries and India. It also proposed that the remainder of CAP guarantee expenditure should be attributed to member states taking account of shares of production of CAP-supported commodities, rather than by its geographical location. The Government have made clear that they regard these proposed changes in the methodology which has been accepted for the past four years as unsound, unhelpful and unacceptable.

Nationalised Industries (Rate of Return)

Mr. John Browne asked the Chancellor of the Exchequer what was the real rate of return earned by nationalised industries in the last financial year.

Mr. Peter Rees: The information is available only on a calendar year basis and is not yet available for 1982. Figures for previous years were given by my right hon.

Friend the Prime Minister on 3 March this year in her reply to the hon. Member for Enfield, North (Mr. Eggar)— [Vol. 38, c. 201].

Value Added Tax

Mr. Rooker asked the Chancellor of the Exchequer if he will set out in the *Official Report* details of where the imposition and impact of value added tax in the United Kingdom differs from European Community requirements and practice.

Mr. Hayhoe: The main European Community requirements are included in the sixth VAT directive which was implemented by United Kingdom legislation in 1977. The directive allows for considerable variations in administrative practice between member states, and it is not practicable to list these.

European Community (Public Expenditure)

Mr. Proctor asked the Chancellor of the Exchequer if he will set out in the *Official Report* the level of public expenditure as a proportion of gross domestic product in each country in the European Community for each of the last five years.

Mr. Peter Rees [pursuant to his reply, 18 November 1983, c. 596]: International comparisons of public expenditure are not available. Total Government outlays* as a percentage of GDP for 1977-1981 are as follows:

	1977	1978	1979	1980	1981
Germany	48.1	47.8	47.7	48.3	49.3
France	44.2	45.2	45.5	46.4	48.9
United Kingdom	44.1	43.6	43.4	45.6	47.3
Italy	42.5	46.1	45.2	46.0	50.8
Belgium	46.6	47.9	49.5	51.6	56.1
Denmark	48.9	50.6	53.2	56.3	59.0
Greece†	29.0	29.9	29.7	30.4	36.0
Ireland	45.5	46.6	49.8	54.4	n.a.
Luxembourg	52.7	51.8	52.8	60.1	n.a.
Netherlands	54.6	55.9	58.0	59.7	61.5

* Current expenditure, capital formation and net capital transfers.

† Current expenditure only.

Source: OECD *Economic Outlook* July 1983.

Table R8: Total Outlays of Government as a percentage of GDP.

Personal Taxation

Dr. McDonald asked the Chancellor of the Exchequer what is the cost to the Exchequer of allowing (a) all tax reliefs and (b) personal tax allowances against higher rates of tax rather than the standard rate only.

Mr. Moore [pursuant to his reply, 18 November 1983, c. 596]: The cost at 1983-84 levels of income of allowing personal tax allowances at rates in excess of the basic rate of income tax is estimated at about £300 million. Information on the similar cost of other reliefs is available only in respect of mortgage interest, retirement annuity premiums and employees' superannuation contributions. These reliefs are estimated to cost about £250 million. It is not possible to estimate precisely the combined yield from restricting these reliefs and personal allowances to the basic rate, but it is thought to be about £600 million.

Mr. Dobson: what has been the cost of Health Services in 1981-82?

Mr. Peter Rees: 1983]: Proposed rates, but cost determined by National Health Service made to each authority, capital expenditure on values of all which contribute as follows:

England
Wales
Scotland

Mr. Dobson: what has been the cost of Health Services in 1981-82?

Mr. Peter Rees: 1983]: I have each rating authority of Commons

Charitable

Mr. Dobson: what has been the cost of private hospital authority in

Mr. Peter Rees: 1983]: I regard centrally and cost.

Mr. Tony Blair: answering in proposals in if he will permit finance to national contributions.

Mr. Walden: within the remit to individual judgment of the Government will be provided number of ar