



10 DOWNING STREET

Prime Minister ⁽¹⁾

Attached is Part I of the Public Expenditure White Paper. The Chief Secretary's letter highlights the main points - in particular the new section on public sector capital spending.

I have not sent you the draft of Part II on the individual programmes. It is 2 inches thick and in poor condition. But if you want to see the text of any particular programme, I can send it.

Content with publication?

Yes

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MAIN POINTS FROM THE WHITE PAPER

- The Government's revised plans for expenditure in 1984-85 total £126.4 billion. This is the same as the provisional total for that year published in the last White Paper (Cmnd 8789) and confirmed in the Autumn Statement.
- On the assumption of an increase in the general price level of 5 per cent between 1983-84 and 1984-85, the level of public expenditure is expected to be broadly stable in cost terms between the two years.
- A provisional planning total of £132.1 billion has been set for 1985-86 - broadly the same as the figure in Cmnd 8789. *on increase of 4.5 per cent.*
- For 1986-87, the provisional planning total is £136.7 billion, a cash increase of around 3½ per cent on the preceding year.
- The main changes in the expenditure plans for 1984-85 compared with Cmnd 8789 are increases for agricultural support (£0.4 billion), local authority current expenditure (£0.6 billion) and social security (£1.3 billion); and decreases in provision for defence (£0.3 billion), housing (£0.5 billion) and nationalised industries' external finance (£0.7 billion). Receipts from special sales of assets are expected to increase by £0.4 billion.

- Since the Autumn Statement, within the unchanged planning total, the reserve for 1984-85 has been reduced by £250 million. This results mainly from an increase in the estimated take-up of some social security benefits, partially offset by a reduced requirement for the Youth Training Scheme. As announced in the Autumn Statement, to improve control the reserve will in future cover all contingencies, including estimating changes as well as policy changes.

- A new Table 1.13 indicates more fully the expenditure of the public sector on capital goods and the value of work commissioned from the construction industry. Total capital expenditure in the public sector as presently constituted is planned to be about £23.9 billion in 1984-85; in cost terms it has been at broadly the same level since 1978-79.

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PART ONE

THE EXPENDITURE PLANS

INTRODUCTION

1. This White Paper sets out the Government's plans for expenditure in the years 1984-85 to 1986-87. The plans are summarised in Table 1.2, which shows the composition of the planning total.

2. The planning total for 1984-85 emerging from this White Paper is £126.4 billion, the same figure as in the last White Paper (Cmnd 8789 of February 1983). This is some £6.1 billion higher than the latest estimated outturn for 1983-84, which is now expected to be some £0.7 billion above the Cmnd 8789 plan: thus, on the assumption of an increase in the general price level between 1983-84 and 1984-85 of 5 per cent, the public expenditure planning total is expected to be broadly stable in cost terms between the two years. The planning totals for 1985-86 and 1986-87, £132.1 billion and £136.7 billion respectively, are provisional and will be reviewed in the 1984 Survey. The total for 1985-86 is broadly the same as in the last White Paper.

CHANGES SINCE CMND 8789

3. Table 1.12 shows the changes since Cmnd 8789. Further detail is in the programme chapters and Table 4.2 in Volume 2.

4. The main changes in the expenditure plans for 1984-85 compared with Cmnd 8789 are increases in provision for agricultural support (£0.4 billion), local authority current expenditure (£0.6 billion) and social security (£1.3 billion); and decreases in provision for defence (£0.3 billion), housing (£0.5 billion) and external finance for the nationalised industries (£0.7 billion). Receipts from special sales of assets, which go to reduce the planning total, are expected to increase by £0.4 billion, reflecting among other changes the fact that the sale of Enterprise Oil is now expected in 1984-85.

MAIN FEATURES OF PROGRAMMES

5. Table 1.3 and Chart 1.4 show the main programmes as now planned.

Social Security

6. By far the largest single programme is social security. It accounts for over one-quarter of the total, and is nearly all on benefits, about half on benefits payable to those over retirement age.

7. Since Cmnd 8789 there has been a return to the "historic" method of uprating benefits used before 1976. The programme provides for upratings in November based on the rise in prices in the twelve months ending in the previous May. (Decisions on the level and details of the uprating will normally be announced by the Secretary of State for Social Services in June of each year.) The projections assume that the retail prices index will rise by 5½ per cent between May 1983 and May 1984, and by 4½ per cent and 4 per cent respectively in the next two years, and that unemployment (Great Britain, excluding school leavers etc) will average 2.85 million in 1983-84 and thereafter. These assumptions are not forecasts or predictions. The assumption that unemployment for the later years will remain at the same level as for 1984-85 follows the usual convention; the actual level of unemployment in later years will depend on developments in the world economy and at home.

8. The plans show an increase of about £1300 million in 1984-85 and £1600 million in 1985-86 compared with Cmnd 8789. The reasons for this include the effect of the 1983 benefit improvements and uprating, (including the 11 per cent increase in child benefit and one parent benefit), and the effect of changes in the uprating assumptions for 1984 and 1985, slightly offset by lower unemployment assumptions. Together these factors added about £600 million in 1984-85 and £840 million in 1985-86. Another factor is revised estimates of expenditure on supplementary benefit, associated with a higher number of beneficiaries than previously estimated, and on housing benefit. These are partly offset by lower estimates of expenditure on unemployment benefit. Reductions in the coverage of help with housing costs were announced in the Autumn Statement. Final and detailed decisions affecting the composition of expenditure in 1984-85 will be taken in the context of decisions on the next uprating of social security benefits.

Defence

9. The provision meets the Government's commitment to plan to implement the NATO aim of 3 per cent real growth per annum up to 1985-86; the 3 per cent growth commitment has not been extended into 1986-87. Additional provision has been made in each year in respect of Falklands costs.

Housing

10. The net public expenditure provision for housing covers current spending on subsidies and administration plus capital expenditure on new public sector building, refurbishment of public sector stock, support for owner-occupation through low-cost home ownership initiatives, and improvement grants to the private sector less receipts, mainly from sales of public sector dwellings.

11. The revised net provision of £2500 million for 1984-85 is a reduction of £490 million compared with Cmnd 8789. This stems mainly from an increase of £295 million in the forecast level of receipts and some reduction in the provision for capital expenditure. It is assumed that rents will rise in line with prices. The new level of gross capital provision is broadly the same in cash terms as that for 1983-84.

12. The net provision for 1985-86 and 1986-87 is £2610 million and £2680 million respectively. That for 1985-86 is a net reduction of £500 million compared with Cmnd 8789 mainly in the provision for capital expenditure, although it still represents a cash increase of £110 million on the revised plans for 1984-85. This is consistent with the Government's policy of shifting the balance in the provision of new housing towards the private sector.

Agricultural Support

13. The increases for the Intervention Board for Agricultural Produce of some £420 million in 1984 - 85 and £240 million in 1985-86 represent revised forecasts of the costs of implementing the Common Agricultural Policy (CAP) in the United Kingdom. This largely reflects additional spending on intervention purchases, an element of CAP support which falls initially to be financed by Member States rather than pre-funded from the European Community Budget. These costs are largely recouped as and

when intervention stocks are sold. The projections depend critically on developments in agricultural markets.

Health

14. Compared with Cmnd 8789, expenditure on the National Health Service (NHS) in England is maintained at the planned level in 1984-85 and increased by £148 million above plan in 1985-86 - ie. by £728 million over the 1984-85 level. The new plans provide for a further increase in 1986-87 of £698 million (5 per cent) over the new 1985-86 level. The plans provide for growth in the hospital and community health services in recognition of demographic pressures; and for increased demand mainly in the Family Practitioner Services.

Education and Science

15. The plans allow for an increase of £140 million in 1984-85 over Cmnd 8789 and of £104 million in 1985-86. The increases in the first two years are mainly in local authority expenditure (see paragraph 21 below), offset by a small net reduction in voted expenditure. The new plans provide for a further increase of £302 million in 1986-87 compared with the new level for 1985-86. The plans for higher education allow for more students than were provided for in Cmnd 8789. The parental contribution to the student award will be higher for those in the upper part of the income scale.

ANALYSIS BY SPENDING AUTHORITY

Central Government

16. Central government expenditure in aggregate accounts for nearly three-quarters of total programmes. Of this:

- slightly less than half is on goods and services, mainly for defence and the National Health Service; the pay and related costs of the civil service amount to just under one tenth of central government expenditure;
- just under 40 per cent is social security benefits;
- the remainder is other transfer payments, such as housing subsidies, industrial support and lending to the nationalised industries.

The figures are summarised in Table 1.5

Nationalised industries

17. The nationalised industries' external finance is shown in Table 1.6. Part 3 sets out changes of coverage and shows the external financing limits for individual industries in 1984-85. As in previous White Papers, no comparable financing breakdown is shown for subsequent years. The finances of trading bodies such as nationalised industries depend on trading conditions and results and there may be large swings in either direction for individual industries.

Table 1.6 Nationalised industries' external finance: £ million cash⁽¹⁾

	1983-84 estimated outturn	1984-85 plans	1985-86 ⁽²⁾ plans	1986-87 ⁽²⁾ plans
Borrowing from Government (net)	983	856	112	-404
Market and overseas borrowing (net)	-260	-827	-587	-895
Grants	1891	1852	1620	1390
Total External Finance	2614	1881	1145	91

(1) This table includes the water authorities which this year appear in Part 3 for the first time.

(2) Figures for these years reflect current assumptions about privatisation and exclude certain industries. See Part 3.

18. By comparison with Cmnd 8789, total net external finance for the nationalised industries and water authorities decreases by £734 million in 1984-85 and by a further £1000 million in 1985-86. The Government have encouraged the industries to fulfil their investment plans and make full and proper use of their investment allocations. Investment in 1983-84 is expected to show an increase of 8 per cent over 1982-83 levels. The industries as a whole are planning to finance progressively more of their investment from internally generated funds in future years. Overall, industries' tariffs are expected to rise at or slightly below the rate of increase of the retail prices index in 1984-85.

19. The industries' aggregate needs for external finance are forecast to decline sharply between 1984-85 and 1986-87. By far the largest amounts of external finance continue to be for British Rail and the National Coal Board.

Local authorities

20. Public expenditure by local authorities is shown in Table 1.7. Current spending has continued to exceed planned levels, imposing an added burden particularly on the ratepayer. Accordingly, the Government is seeking to supplement the existing restraints with additional powers.

21. In 1983-84 local authorities budgetted to exceed the provision set in Cmnd 8789 by £1 billion. Once more this has had a knock-on effect into the next year and so, for realism, the government has been obliged to increase provision for relevant current expenditure by £600 million over that underlying Cmnd 8789. As in 1983-84 some of the increase in England and Scotland has not been allocated to services. Further information is contained in Chapter 2.17 of Volume 2.

SPECIAL SALES OF ASSETS

22. Because future receipts from special sales of assets are dependent on content, timing and market conditions, no attempt is made to break down present and future year figures. Details for 1982-83 are included in Part 4.

23. Net sale proceeds from special sales of assets in 1983-84 are expected to total around £1200 million compared with the original target of £740 million and the revised target of £1250 million. Major items in 1983-84 have included the sale of further shares in Cable and Wireless and BP, and a second instalment from the sale of Britoil shares.

24. Target proceeds from special sales of assets have been set at £1.9 billion in 1984-85 (an increase of £400 million since Cmnd 8789), £2.0 billion in 1985-86 and £2.0 billion in 1986-87.

RESERVES

25. The plans for 1984-85 contain a reserve of £2.75 billion over and above the total of programmes. Reserves have also been provided of £3.75 billion for 1985-86 and £4.75 billion for 1986-87. The reduction since the

Autumn Statement of £0.25 billion in the reserve for 1984-85 results from a number of changes, including an increase in the estimated take-up of some social security benefits, partially offset by some reduced requirements e.g. for the Youth Training Scheme. Full details of changes since the Autumn Statement are set out in Table 4.2 of Volume 2.

26. The reserve is now intended to cover all contingencies, including any estimating changes in demand-led and other programmes as well as policy changes and new initiatives during the course of the year. The widening of the reserve to cover all changes in expenditure, for whatever reason they arise, underlines the Government's intention to treat the planning total itself as a control total.

DEBT INTEREST

27. Table 1.2 shows two figures of debt interest. The net definition of debt interest represents, broadly, interest payments financed from taxation or further government borrowing. Gross debt interest represents total payments of debt interest by the public sector as defined in the National Accounts: it thus includes (unlike the net definition) interest payments matched by interest receipts or by provision for interest in the accounts of public trading activities. Table 4.9 of Volume 2 reconciles the two definitions.

CAPITAL EXPENDITURE

28. Tables 1.9 to 1.11 provide an analysis of the planning total by economic category and spending authority. Table 1.13, which appears in a new form in this White Paper, shows expenditure by the public sector on capital goods and the value of work given to the construction industry in each year to 1984-85. The Government have not taken decisions about the allocation of expenditure in the later years in sufficient detail for these analyses to be extended beyond 1984-85.

29. Capital expenditure as defined in most of the tables in this White Paper excludes the capital spending of the nationalised industries and certain other public corporations but includes all their borrowing. It includes the negative effect of council house sales and excludes defence expenditure which, under international conventions for national accounting, is mostly classified as current expenditure even though much defence

expenditure on works and equipment is of a capital nature. Table 1.13 shows that, after taking account of these factors, capital spending in the public sector as at present constituted is planned to be about £23.9 billion in 1984-85. This is about £600 million higher than the estimated outturn for 1983-84. In cost terms, the level of this expenditure has been broadly the same since 1978-79, £21.7 billion compared with £21.6 billion.

30. Within the total of public sector capital spending for 1984-85 shown in Table 1.13, planned expenditure on goods and services accounts for £21.3 billion (89 per cent of the total), an increase of £900 million over the estimated outturn in 1983-84. Of this expenditure, £2.3 billion is on dwellings, £8 billion is on new construction other than dwellings and £11 billion on plant, machinery and other capital equipment. The planned expenditure in 1984-85 on plant and new construction other than dwellings represents an increase of £800 million over the estimated outturn for 1983-84.

PUBLIC EXPENDITURE AND GDP

31. As shown by Chart 1.8, the percentage of public expenditure (including net debt interest and certain other adjustments) to gross domestic product (GDP) peaked at 44 per cent in 1981-82. Using the expected outturn of expenditure and forecasts of GDP as shown in the Autumn Statement, the 1983-84 percentage is expected to be 42½ per cent, falling further to 42 per cent in 1984-85.

CASH LIMITS

32. The White Paper plans for 1984-85 will be translated directly into cash limits, which are the control figures for the coming year. The great majority of limits are on voted expenditure and are published in the Supply Estimates. Others, mostly covering capital expenditure by local authorities and expenditure by Northern Ireland Departments, will be published at the same time. Individual cash limits will not normally be changed during the year. Any increases in cash limits will be charged to the reserve. New arrangements for end-year flexibility on capital programmes will, however, allow some carry-forward of unspent resources to the following year.

33. 40 per cent of public expenditure is directly cash-limited. This includes the external financing limits of the nationalised industries. Another 40 per cent consists of "demand-led" services where, once policy and rates of payments have been determined, expenditure in the short term is substantially dependent on the number of qualified applicants: eg social security benefits. The remaining 20 per cent is local authority current expenditure: the Rate Support Grant, the Government's main contribution to the financing of such expenditure, is subject to a cash limit, but not the expenditure itself. Table 4.3 in Volume 2 gives more detailed information by main programme, distinguishing current and capital expenditure in 1984-85.

MANPOWER

34. The Civil Service is now the smallest since the Second World War. It has been reduced from 732,300 in April 1979 to 636,300 in October 1983; it is intended that a further reduction to 630,000 should be achieved by the end of 1983-84 - a total reduction of 14 per cent. The Government's post-1984 plans - which recognise the important contribution to the control of public expenditure from continued efficiency in the use of resources - are set out in Table 1.15. These propose a continuing steady reduction in the size of the Civil Service to about 593,000 by 1988, a further fall of 6 per cent.

35. For the armed forces, UK based manpower is expected to rise from 320,600 in April 1983 to 332,400 in April 1985. These figures are based on the manpower objectives set out in Cmnd 8288, as increased by subsequent commitments in the South Atlantic and other adjustments. Figures beyond 1985 are subject to review. The figures for 1984 and 1985 include provision for young unemployed engaged for one year's service under the Armed Forces Youth Training Scheme for which some 5,000 places are available.

36. Between 1979 and 1982 total NHS manpower in Great Britain increased by 66,910 (about 7 per cent) to 1,006,700. The increase was predominantly among those directly involved in patient care. The Government are concerned to ensure that NHS manpower is used to the best effect. To this end, manpower targets have been settled with regional health authorities in England. These targets provide for a reduction of 4800 between March 1983 and March 1984 - that is a reduction of $\frac{1}{2}$ per cent. Comparable measures are in hand in Scotland and Wales.

37. Local authorities in Great Britain have reduced their manpower by 91,000 (4 per cent) from 2,361,000 in June 1979 to 2,269,000 in June 1983. Since then, however, this slight downward trend has been reversed. Since manpower accounts for about two-thirds of local authorities' relevant current expenditure, this development is of considerable concern. If local authorities' manpower does not resume its downward path authorities will be faced with difficult choices if they are to remain within the Government's expenditure plans for future years. Within the overall changes in manpower, the service which has seen the largest reduction is education, which employs about half of local government workers: numbers fell by over 75,000 or 6½ per cent between 1979 and 1983. Over the same period, school rolls fell by 10 per cent. The staff employed on law and order services increased by over 13,000 (7 per cent) during this period, consistently with the Government's priorities.

PAY

38. Pay accounts for about 30 per cent of total public expenditure; on some programmes the proportion is much higher. Labour costs are also an important component in the cost structure of the nationalised industries. For the civil service, the health service, the armed forces and other central government groups the present plans are based on the Government's decision, announced on 15 September 1983, to provide in 1984-85 for average increases in pay and allowances of 3 per cent from due settlement dates, after taking account of planned manpower changes.

PUBLIC EXPENDITURE IN 1982-83 AND 1983-84

39. The outturn of expenditure in 1982-83 is now put at £113.3 billion about £0.3 billion more than the preliminary estimated outturn published in Cmnd 8789, after adjusting for classification changes since then.

40. Compared with the planning total for 1983-84 of £119.6 billion in Cmnd 8789, the 1983-84 outturn is tentatively estimated at about £120.3 billion, after taking account of the reductions in cash limits and other changes announced by the Chancellor on 7 July. A smaller than expected underspend on Central Government cash limits is forecast, and there have been increases in some non-cash limited programmes, notably social security and agricultural support. Local authorities are estimated to overspend by £1½ billion on current account. There have been additional

receipts for asset sales (nearly £½ billion) and lower nationalised industries' external financing (£½ billion).

PRICE CHANGES

41. The plans for future years are in cash. Save for the projections for social security and superannuation, they do not depend on specific assumptions about future price changes but are generally consistent with the Government's intention to continue to exercise downward pressure on the rate of inflation.

PUBLIC EXPENDITURE IN COST TERMS

42. Table 1.14 shows public expenditure in "cost terms" for the years up to and including 1984-85. Cost terms figures are the cash outturn or plans adjusted to the 1982-83 price base so as to exclude the effect of general inflation as measured by the GDP deflator. For this purpose the GDP deflator is assumed to increase by 5 per cent in both 1983-84 and 1984-85, as forecast in the Autumn Statement.

Commentary to accompany the new capital spending table (to replace Table 1.13) in PEWP

Table 1.13 is a new table designed to give an indication of expenditure on capital goods and the value of work given to the construction industry by the public sector. It expands a previous table which confined itself to capital expenditure in the public sector on new construction. That table is now included in Part 4 (Table 4.5)

The public expenditure planning total is designed primarily for financial control; it does not provide comprehensive information about public sector capital spending. In particular the figures need to be adjusted to take account of:

- (a) Capital spending of the nationalised industries and some other public corporations. The planning total includes the capital grants to and net borrowing by the corporations (see Table 1.9) but this is only a fraction of their capital expenditure.

(b) Asset sales. Public sector capital expenditure is usually measured net of asset sales, and in particular council house sales. Thus the Government's policy of selling council houses and the privatisation programme decrease public sector capital spending in the conventional presentation (eg in Table 1.9). (Private sector capital spending is correspondingly increased). While receipts from the sale of assets reduce public expenditure as defined in the planning total, they do not in themselves reduce the public sector's demand for capital goods and services or its call on the construction industry. They are not therefore deducted from the figures in Table 1.13.

(c) Virtually all expenditure on defence is classified as current expenditure in accordance with United Nations national accounting conventions. This includes purchases of major items of equipment such as ships, vehicles and aircraft as well as expenditure on barracks and other military installations. Much of this expenditure is of a capital nature and provides work for the capital goods industries.

The figures in the new table take account of these adjustments as far as the available data allow.

The figures cover the following types of expenditure:

(1) Direct expenditure on the purchase of new assets. This excludes purchases (and therefore sales) of land and existing buildings. It should also exclude purchases (and sales) of other existing assets, such as used vehicles or equipment, but it is not possible to separate out these figures and, in any case, the impact would be relatively small.

(2) Capital grants to the private sector, of which the largest components are financial support for the industrial sector and the housing sector. Much of the investment in housing will go to finance construction work, except that the figures for housing associations will also include finance for their expenditure on the acquisition of land and existing buildings.

(3) Net lending to the private sector and investment abroad has not been included in the total but is shown for information.

The figures do not include repairs and maintenance which provides a large amount of work for the construction industry. Similarly the provision of spares is excluded from the figures but provides work for the capital goods industries.

TABLE 1.1. PLANNING TOTALS (1)

	£billion cash					
	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
January 1979 White Paper (Cmnd 7439) ⁽²⁾	109.7	120.1				
March 1980 White Paper (Cmnd 7841) ⁽²⁾	101.0	106.4	112.4			
March 1981 White Paper (Cmnd 8175) ⁽³⁾⁽⁴⁾	104.4	109.9	113.6			
March 1982 White Paper (Cmnd 8494) ⁽⁵⁾	105.7	114.7	120.7	127.6		
February 1983 White Paper (Cmnd 8789)	104.7	113.0	119.6	126.4	132.3	
[This White Paper	104.7	113.3	120.3	126.4	132.1	136.7]

(1) As defined in this White Paper.

(2) Converted into cash using the same inflation assumptions as used for converting the plans in Cmnd 8175. See footnote (3)

(3) Converted into cash as explained in page 103 of Cmnd 8494 Vol 2.

(4) Including changes announced in the Budget Statement on 10 March 1981.

(5) Including changes announced in the Budget Statement on 9 March 1982.

PLANNING TOTAL

Table 1.2

£ million cash

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
Public expenditure programmes									
1. Central government (1)	43,606	51,055	62,134	72,293	80,852	85,311	90,350	95,120	99,070
2. Local authorities (1)	17,710	21,199	24,554	26,160	28,683	32,110	31,691	32,590	33,310
3. Certain public corporations capital expenditure	455	581	753	682	679	405	458	390	340
4. Nationalised industries external finance	2,349	2,999	3,221	3,553	2,143	2,500	1,881	1,140	90
5. Other public corporations external financing	1,633	2,086	2,366	1,909	1,490	1,362	1,118	1,100	1,120
6. Planned expenditure on programmes	65,752	77,921	93,028	104,597	113,846	121,688	125,499	130,350	133,930
7. Special sales of assets (net)		-999	-356	79	-488	-1,200	-1,900	-2,000	-2,000
8. Reserve (2)						250	2,750	3,750	4,750
9. Planned expenditure on programmes, sales of assets and the Reserve	65,752	76,922	92,672	104,676	113,358	120,738	126,349	132,100	136,680
11. General allowance for shortfall (5)						-400			
12. Planning total (outturn / estimated outturn)	65,752	76,922	92,672	104,676	113,358	120,338	126,349	132,100	136,680
13. Percentage change on previous year									
Memorandum items									
Debt interest									
- net (6)	2,204	3,429	4,491	5,741	5,946	7,000	7,500	7,500	7,500
- gross (6)	8,351	10,602	12,638	14,709	15,580	15,600	16,000	16,000	16,000
(not included above)									

TOTAL EXPENDITURE BY PROGRAMME

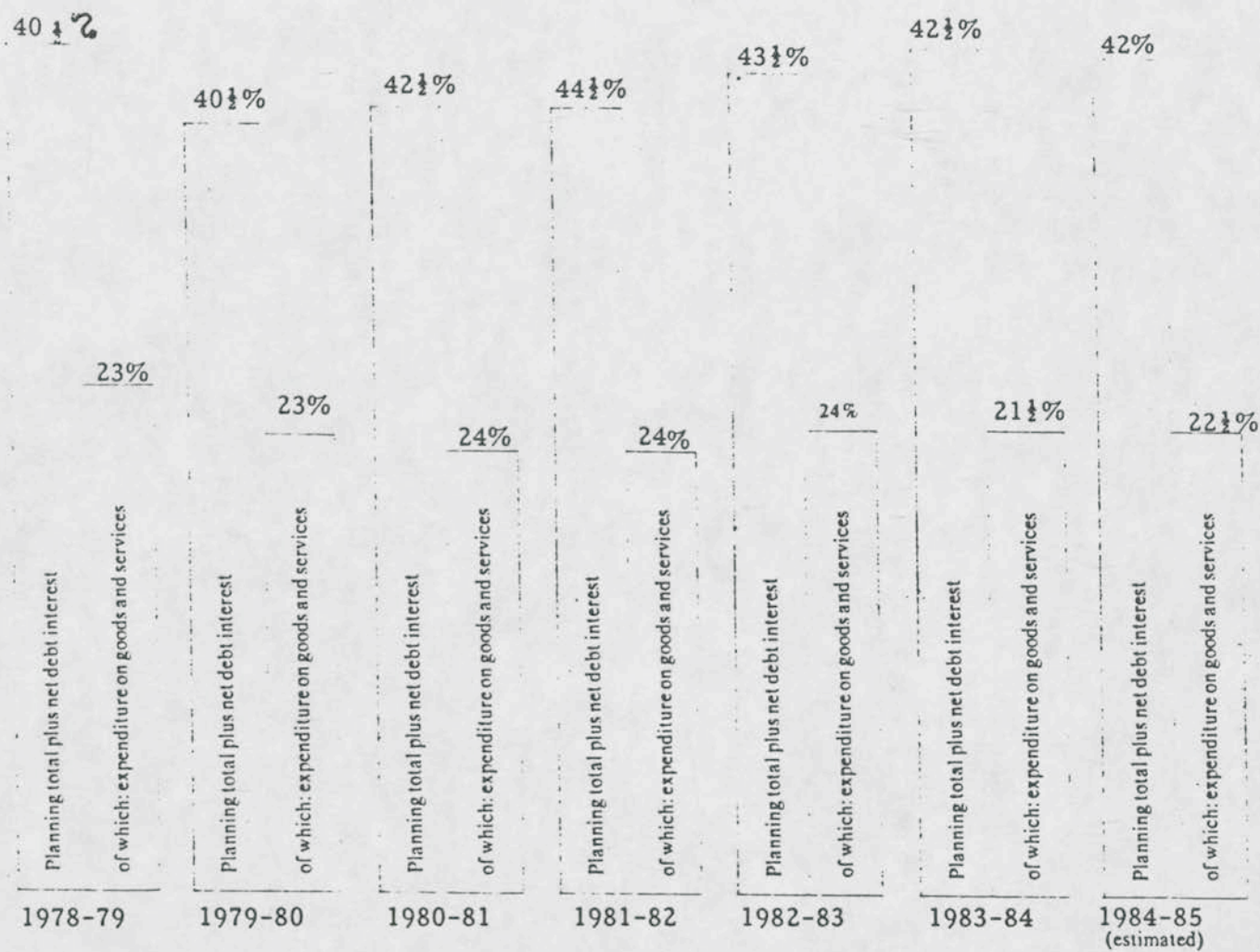
Table 1.3

£ million cash

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
Defence	7,497	9,228	11,173	12,605	14,408	15,716	17,031	18,060	18,660
Overseas aid and other overseas services									
<i>Overseas aid</i>	727	798	904	978	984	1,063	1,125	1,160	1,200
<i>Net payments to EC institutions</i>	751	839	221	153	580	500	375	550	600
<i>Other overseas services</i>	367	439	496	554	600	731	783	810	830
Agriculture, fisheries, food and forestry	812	1,007	1,345	1,382	1,861	2,087	2,048	1,920	1,930
Industry, energy, trade and employment	3,991	4,007	5,149	6,771	5,716	6,080	5,599	4,700	3,660
Arts and libraries	340	404	478	524	616	624	599	620	640
Transport	2,672	3,278	4,000	4,277	4,395	4,560	4,376	4,700	4,690
Housing	3,571	4,520	4,461	3,128	2,640	2,760	2,496	2,610	2,680
Other environmental services	2,222	2,640	3,071	3,108	3,554	3,787	3,451	3,540	3,600
Law order and protective services	2,034	2,577	3,160	3,731	4,191	4,681	4,904	5,130	5,280
Education and science	7,754	8,942	10,898	11,841	12,683	13,356	13,052	13,450	13,750
Health and personal social services	7,425	8,899	11,362	12,724	13,817	14,659	15,421	16,250	17,060
Social security	16,437	19,417	23,429	28,567	32,485	35,324	37,207	39,520	41,630
Other public services	966	1,156	1,415	1,538	1,631	1,666	1,789	1,870	1,900
Common services	853	1,009	1,098	1,454	1,560	950	1,105	1,180	1,280
Scotland	3,713	4,547	5,359	5,830	6,243	6,761	6,859	6,970	7,140
Wales	1,489	1,769	2,112	2,218	2,384	2,581	2,588	2,700	2,800
Northern Ireland	2,132	2,446	2,899	3,215	3,500	3,799	4,032	4,220	4,380
Local authority current expenditure not allocated to programmes (England)							660	400	200
Adjustment									
Special sales of assets		-999	-356	79	-488	-1,200	-1,900	-2,000	-2,000
Reserve						250	2,750	3,750	4,750
General allowance for shortfall						-400			
Planning total	65,752	76,922	92,672	104,676	113,358	120,338	126,349	132,100	136,680

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CHART 1.8 PUBLIC EXPENDITURE AS PERCENTAGE OF GDP AT MARKET PRICES.
 [not drawn to scale]



(1) Includes payments of VAT by local authorities and non-trading government capital consumption to make the total comparable with GDP at market prices.

TOTAL PUBLIC EXPENDITURE BY ECONOMIC CATEGORY

Table 1.9

£ million cash

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
Current expenditure									
Wages and salaries	20,948	24,840	30,841	34,245	36,290	38,423	39,097	40,620	41,840
Other current expenditure on goods and services	11,501	14,012	16,652	19,357	22,361	24,633	26,034	27,510	28,700
Subsidies	4,004	4,939	6,102	6,027	6,060	6,128	5,423	5,060	4,700
Current grants to the private sector	18,542	22,115	27,053	32,846	37,316	40,286	42,395	44,880	47,100
Current grants abroad	1,618	1,819	1,306	1,289	1,784	1,812	1,779	2,050	2,140
Local authority current expenditure not allocated to programmes							735	510	350
Total	56,614	67,725	81,955	93,764	103,811	111,281	115,463	120,620	124,830
Capital expenditure									
Gross domestic fixed capital formation	5,244	6,019	6,238	5,166	5,445	5,927	5,308	6,140	6,430
Increase in value of stocks	57	-14	84	7	318	381	447	270	270
capital grants	1,810	1,869	2,204	2,338	2,954	3,300	3,032	3,100	3,130
Net lending to private sector	240	658	921	1,356	732	-62	980	500	410
Net lending to nationalised industries and some other public corporations	1,075	2,464	2,770	1,943	1,593	901	892	150	-370
Net lending and investment abroad	267	-319	-521	-270	-97	47	192	150	140
Cash expenditure on company securities (net)	4		-1		371	151	3		
Market and overseas borrowing by nationalised industries and some other public corporations	442	-481	-623	294	-1,281	-239	-819	-590	-910
Total	9,138	10,196	11,073	10,833	10,035	10,407	10,036	9,730	9,100
Adjustments									
Special sales of assets		-999	-356	79	-488	-1,200	-1,900	-2,000	-2,000
Reserve						250	2,750	3,750	4,750
General allowance for shortfall						-400			
Planning total	65,752	76,922	92,672	104,676	113,358	120,338	126,349	132,100	136,680

TOTAL PUBLIC EXPENDITURE BY SPENDING AUTHORITY AND PROGRAMME

Table 1.10

£ million cash

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
Central government									
Defence	7,506	9,232	11,177	12,610	14,406	15,714	17,028	18,050	18,670
Overseas services	1,830	2,052	1,609	1,658	2,183	2,262	2,240	2,480	2,590
Agriculture fisheries food and forestry	642	748	1,094	1,096	1,561	1,837	1,846	1,730	1,740
Trade, industry, energy and employment	2,609	2,328	3,421	4,592	4,661	4,928	5,000	4,960	4,790
Arts and libraries	126	154	175	195	230	235	253	270	280
Transport	489	590	745	881	1,063	1,064	1,170	1,210	1,260
Housing	559	523	536	460	591	781	737	820	870
Other environmental services	144	166	196	207	230	279	311	310	320
Law, order and protective services	485	602	790	901	1,008	1,216	1,372	1,440	1,490
Education and science	1,152	1,384	1,704	1,814	2,070	2,182	2,270	2,360	2,420
Health and personal social services	6,315	7,534	9,670	10,858	11,784	12,437	13,148	13,870	14,570
Social security	16,175	19,117	23,038	27,987	31,439	32,821	34,729	36,900	38,900
Other public services	962	1,153	1,372	1,519	1,613	1,648	1,770	1,850	1,880
Common services	856	1,000	1,101	1,460	1,560	950	1,105	1,180	1,280
Scotland	1,502	1,840	2,268	2,468	2,585	2,737	2,885	3,010	3,120
Wales	586	709	901	959	1,039	1,131	1,214	1,260	1,320
Northern Ireland	1,667	1,922	2,337	2,628	2,830	3,089	3,271	3,420	3,560
Total central government	43,606	51,055	62,134	72,293	80,852	85,311	90,350	95,120	99,070
Local authorities									
Agriculture fisheries food and forestry	114	175	168	195	206	166	135	130	130
Trade, industry, energy employment	75	94	116	132	146	160	157	160	170
Arts and libraries	214	250	302	328	386	389	346	360	370
Transport	1,334	1,592	1,924	2,085	2,368	2,513	2,248	2,350	2,420
Housing	1,617	2,098	1,591	869	675	1,038	999	1,140	1,200
Other environmental services	1,755	2,116	2,534	2,570	3,005	3,084	2,777	2,880	2,950
Law, order and protective services	1,549	1,975	2,370	2,830	3,179	3,462	3,530	3,690	3,790
Education and science	6,603	7,558	9,194	10,027	10,613	11,175	10,782	11,090	11,330
Health and personal social services	1,110	1,365	1,692	1,866	2,033	2,222	2,273	2,380	2,500
Social security	262	300	391	580	1,046	2,503	2,478	2,610	2,720
Scotland	1,977	2,376	2,773	3,089	3,285	3,500	3,452	3,480	3,560
Wales	805	951	1,092	1,120	1,238	1,354	1,293	1,340	1,380
Northern Ireland	294	349	408	469	503	541	562	590	610
Local authority current expenditure not allocated to programmes (England)							660	400	200
Total local authorities	17,710	21,199	24,554	26,160	28,683	32,110	31,691	32,590	33,310
Certain public corporations Capital expenditure(1) (excluding adjustments)									
	455	581	753	682	679	405	458	390	340
Nationalised industries external financing limits									
	2,349	2,999	3,221	3,553	2,143	2,500	1,881	1,140	90
Other public corporations external financing limits									
	1,633	2,086	2,366	1,909	1,490	1,362	1,118	1,100	1,120
Adjustments									
Special sales of assets		-999	-356	79	-488	-1,200	-1,900	-2,000	-2,000
Reserve						250	2,750	3,750	4,750
General allowance for shortfall						-400			
Planning total	65,752	76,922	92,672	104,676	113,358	120,338	126,349	132,100	136,680

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TOTAL PUBLIC EXPENDITURE BY SPENDING AUTHORITY AND ECONOMIC CATEGORY

Table 1.11

£ million cash

	1978-79	1979-80	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87
Central government									
<i>Current:</i>									
Goods and services	19,596	23,626	29,161	33,077	36,321	39,089	41,787	44,030	45,850
Subsidies and grants	20,819	24,637	29,523	35,034	39,480	41,118	43,073	45,570	47,590
<i>Capital:</i>									
Goods and services	1,418	1,580	1,934	2,172	2,704	2,890	3,296	3,280	3,360
Grants	1,330	1,386	1,685	1,681	1,994	1,965	1,953	2,060	2,090
Other net lending and capital transactions	443	-175	-170	330	353	248	241	190	180
Total	43,606	51,055	62,134	72,293	80,852	85,311	90,350	95,120	99,070
Local authorities									
<i>Current</i>									
Goods and services	12,854	15,226	18,332	20,526	22,330	23,966	23,344	24,100	24,690
Subsidies and grants	1,222	1,429	1,801	2,257	2,733	4,270	3,924	4,070	4,200
Local authority current expenditure not allocated to programmes							735	510	350
<i>Capital</i>									
Goods and services	3,465	3,980	3,951	2,671	2,736	3,071	2,129	2,790	3,000
grants	123	165	187	274	556	937	708	650	650
net lending and other capital transactions	46	399	283	433	328	-135	851	460	420
Total	17,710	21,199	24,554	26,160	28,683	32,110	31,691	32,590	33,310
Certain public corporations									
<i>Capital:</i>									
Goods and services	418	445	437	330	323	347	330	340	340
Grants	15	23	29	29	32	34	45	50	50
Net lending and other capital transactions	22	113	287	323	324	23	83		-50
Total	455	581	753	682	679	405	458	390	340
Nationalised industries external financing limits									
<i>Current</i>									
Subsidies	811	1,085	1,109	1,363	1,799	1,835	1,829	1,620	1,390
<i>Capital</i>									
Grants	122	90	83	71	64	52	32	30	30
Net lending	974	2,305	2,652	1,827	1,518	861	856	110	-400
Market and overseas borrowing	442	-481	-623	293	-1,239	-248	-836	-610	-920
Total	2,349	2,999	3,221	3,553	2,143	2,500	1,881	1,140	90
<i>of which: local authority lending</i>	73	88	118	109	131	155	163	180	190
Other public corporations external financing limits									
<i>Current</i>									

Subsidies	1,312	1,722	2,028	1,507	1,148	1,002	771	740	760
Capital									
Grants	219	204	220	285	308	311	294	310	320
Net lending	101	159	118	117	75	40	36	40	30
Market and overseas borrowing				1	-41	9	17	20	10
Total	1,633	2,086	2,366	1,909	1,490	1,362	1,118	1,100	1,120
<i>of which: local authority lending</i>	213	325	431	421	433	512	265	270	280
adjustments									
Special sales of assets		-999	-356	79	-488	-1,200	-1,900	-2,000	-2,000
Reserve						250	2,750	3,750	4,750
General allowance for shortfall						-400			
Planning total	65,752	76,922	92,672	104,676	113,358	120,338	126,349	132,100	136,680

Table 1.13

£ million

PUBLIC SECTOR CAPITAL SPENDING	1978-79 outturn	1979-80 outturn	1980-81 outturn	1981-82 outturn	1982-83 outturn	1983-84 estimated outturn	1984-85 plans
Goods and services							
(1)							
General government and List III public corporations							
Expenditure on dwellings	2104	2395	2302	1943	2204	2199	2290
New constructions other than dwellings	2556	3165	3766	3912	4259	4395	4571
Purchases (net) of vehicles, plant and machinery	0	736	877	902	1104	1133	1155
(2)							
Defence expenditure							
Construction	46	205	283	271	395	456	528
Equipment	1779	2211	2905	3445	3800	4554	5200
Nationalised industries and other List I and II public corporations (III(3)(4)(7))							
Expenditure on dwellings	0	2	3	2	3	5	9
New construction other than dwellings	4704	1766	2175	2284	2691	2907	2895
Purchases (net) of vehicles, plant and machinery	0	3720	4134	4550	4253	4743	4639
					181		
Total, goods and services	11815	14200	16445	17309	18709	20392	21281
Cost terms (Base year 1982-83)	19201	19750	19270	18458	18709	19421	19302
Capital grants to private sector							
General government and List III public corporations (1)	1462	1566	1890	1974	2581	2921	2601
Nationalised industries and other List I and II public corporations (III(3)(4))	9	12	12	14	14	24	25
Total, capital grants to private sector	1471	1578	1902	1988	2595	2945	2626
(5)							
Total, goods and services plus capital grants to the private sector	13286	15778	18347	19297	21304	23337	23907
Cost terms (Base year 1982-83)	21592	21945	21498	20578	21304	22226	21684
Net lending							
General government and List III public corporations (1)							
(6)							
Net lending to private sector	244	658	920	1356	1094	87	995
Net lending and investment abroad	207	-319	-521	-270	-97	47	203

1) See definition of List I, II and III public corporations in part V of Volume 2 (PEWP)

2) NATO definition of defence capital expenditure. Table 14.4 reconciles this definition with that used elsewhere in this White Paper

3) Not included in the planning total

4) The 1978-79 figure includes net expenditure on land and existing buildings by nationalised industries

5) See Table 4.2 for reconciliation of this total with non-current expenditure in Table 1.8

6) Includes cash expenditure on company securities

7) "Nationalised industries" includes British Telecom's and British Airway's 1984-85 planned capital spending. No figures are available for Enterprise Oil

8) British Telecom's accounts treatment of certain fixed assets changed in 1981-82

Table 1.15

Annex A

	1.4.84	1.4.85	1.4.86	1.4.87	1.4.88
AGRICULTURE FISHERIES AND FOOD					
Ministry of Agriculture Fisheries & Food	11,193	11,150	11,106	11,310	11,260
Intervention Board for Agricultural Produce	623	610	590	566	560
CHIEF TELLOR OF THE EXCHEQUER					
Int. Revenue	69,850	70,200	69,300	66,300	62,900
Customs and Excise	25,150	25,350	25,100	24,900	24,700
Department for National Savings	8,050	8,025	7,900	7,875	7,590
HMSO	4,000	3,700	3,500	3,460	3,440
Treasury	3,820	3,570	3,535	3,500	3,455
Royal Mint	977	965	981	970	960
Central Office of Information	949	952	955	945	935
Registry of Friendly Societies	129	129	129	127	120
Government Actuary	643	643	643	643	643
National Investment & Loans Office	52	52	52	52	52
EDUCATION AND SCIENCE					
Department of Education and Science	2,402	2,472	2,437	2,417	2,392
EMPLOYMENT					
Department of Employment	31,048	30,238	29,995	29,211	28,505
Health & Safety Commission/Executive	3,742	3,662	3,652	3,644	3,644
Manpower Services Commission	22,229	21,677	21,297	21,297	21,297
Advisory, Conciliation & Arbitration Service	645	639	632	629	629
ENERGY					
Department of Energy	1,110	1,106	1,085	1,062	1,033
ENVIRONMENT					
Department of the Environment	6,681	6,601	6,501	6,471	6,356
Property Services Agency	6,695	6,645	6,515	6,435	6,370
Ordnance Survey	27,502	26,986	26,347	25,693	25,296
	2,815	2,948	2,934	2,920	2,906
FOREIGN AND COMMONWEALTH OFFICE					
Foreign and Commonwealth Office	9,437	9,373	9,214	9,109	9,026
Overseas Development Administration	1,793	1,565	1,545	1,525	1,500
HOME OFFICE					
Home Office	35,755	36,633	38,193	40,123	41,132
LORD CHANCELLOR					
Lord Chancellor's Department (including Public Trustee Office)	10,125	10,195	10,195	10,170	10,000
Land Registry	6,725	6,845	6,910	6,910	6,950
Public Record Office	406	406	413	419	425
NORTHERN IRELAND					
Northern Ireland Office	200	196	191	188	186
SCOTLAND					
Scottish Office	9,800	9,909	9,791	9,622	9,542
Scottish Courts Administration	879	879	879	879	879
General Register Office Scotland	283	266	268	278	274
Registers of Scotland	754	800	832	854	889
Scottish Record Office	132	128	125	122	118
SOCIAL SERVICES					
Department of Health and Social Security	90,709	90,000	89,500	88,850	87,850
Office of Population Censuses and Surveys	2,162	2,152	2,132	2,102	2,155
TRADE AND INDUSTRY					
Department of Trade and Industry	12,759	12,754	12,754	12,754	12,754
Export Credits Guarantee Department	1,840	1,840	1,835	1,835	1,830
Office of Fair Trading	320	313	313	313	313
TRANSPORT					
Department of Transport	14,120	14,528	14,713	14,511	14,174
	14,206	14,514	14,699	14,497	14,160
WELSH OFFICE					
Welsh Office	2,195	2,206	2,206	2,206	2,206
SMALL DEPARTMENTS					
Cabinet Office	518	518	518	518	518
Charity Commission	329	329	320	320	320
Crown Estate Office	114	116	117	118	119
Director of Public Prosecutions	237	242	241	240	240
Law Officers' Department	22	22	22	22	22
Lord Advocate's Department	22	22	22	22	22
Management and Personnel Office	1,104	1,198	1,174	1,168	1,158
Office of Arts and Libraries	49 45	49 45	49 45	49 45	49 45
Paymaster General's Office	870	873	912	938	967
Privy Council Office	33	33	33	33	33
Crown Office & Procurator Fiscal Service	966	980	1,000	1,020	1,040
Treasury Solicitor's Department	460	456	452	447	442
DEFENCE					
Ministry of Defence	200,000	179,000	176,000	173,000	170,000
CONTINGENCY MARGIN	1,360	2,000	4,000	6,500	7,500
TOTAL	630,000	608,208	605,255	600,554	592,723