



SCOTTISH OFFICE
WHITEHALL, LONDON SW1A 2AU

D Norgrove Esq
Private Secretary
10 Downing Street
LONDON SW1

8 December 1986

Dear David N BPN

I enclose a copy of a statement about public expenditure which my Secretary of State proposes to make in the House tomorrow afternoon. I should be grateful for your clearance.

I am copying this letter and enclosures to Trevor Wooley, Joan MacNaughton, Andrew Lansley, Ivor Llewellyn, Rob Smith, John Turner, Robin Young, Tony Laurance, David Watkins, Chris Cappella, Dr Timonthy Walker, Richard Allan, Alex Allan, Jill Rutter, Murdo Maclean, Colin Williams, Michael Stark, and Steven Wood. + Geoff Dart

Yours truly,
Andy

ANDY RINNING
Private Secretary

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DRAFT ORAL STATEMENT

With permission, Mr Speaker, I wish to make a statement about the allocation of my public expenditure provision in the next three years.

Total expenditure on the programmes within my responsibility will be £7957m in 1987-88, £390m or 5.1% above provision for this year, and some £540m higher than the plans for 1987-88 published in the Public Expenditure White Paper last January. An annotated table giving the allocations for each service is available in the Vote Office and I am arranging for it to be published in the Official Report.

I have given high priority to the Health Service to enable it to meet growing demand for health care over the next three years. Spending on the Health programme will be increased by £130m or 2.5% more than forecast inflation to £2216m in 1987-88. For hospital and community health services next year there will be £1540m, some £87m or 6% more than for this year. I propose to hold a small amount of this extra cash in hand for specific service developments. Allocations to Health Boards will allow a further movement towards parity under the SHARE formula. In addition, Boards will be able to retain resources released within their budgets through efficiency and economy measures.

Capital investment in the Health service will be about £370m over the next three years, and will maintain the programme of major hospital projects, continue the upgrading of the NHS estate, and allow for spending on new technology and computer hardware. Provision for local authority capital spending on social work has also been increased.

To meet fully the needs of Law and Order services my plans provide £625m in 1987-88. This includes sufficient for a modest increase over present police establishment, and for increased costs of the Prison Service, including recruitment of an additional 126 prison officers next year. Capital expenditure within this programme over the three years will be nearly £150m, and will provide for a new prison at Peterhead and new or improved court houses.

There will be an increase in the Education programme in 1987-88 of £214m - 12% - over provision for the current year. This includes the

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extra resources we have said we will make available for an acceptable deal on pay and conditions of service for schoolteachers; and the £50m unallocated education margin which I have already announced and £6m for additional non-teaching costs associated with Standard grade and Action Plan. Capital expenditure on local authority education projects is planned to rise by £5m in 1987-88, to cover priority building work and equipment for science and technology subjects. The latter will be of special help in meeting the needs of Standard grade. Centrally funded work on curricular reform in schools and further education is to be maintained; and Scottish PICKUP extended. The importance of higher education has also been fully recognised. An additional £6.1m is being provided for the Central Institutions and the Colleges of Education.

Central Government expenditure on the arts is being increased by £1.1 million or 5.5%. I have authorised a start to the planning of the Second Phase of the new building for the National Library of Scotland at Causewayside; I am providing maintenance for the buildings of the three Scottish national institutions; and I am continuing to back staffing improvements at the Royal Museum of Scotland.

There will be an increase of £25 million or 10.8% in our provision for Industry in 1987-88, compared with the plans published last year. The increase will go almost entirely to direct grants to industry, to meet a continued upsurge in demand which brings valuable jobs and investment to Scotland. This follows a recent increase of £40 million in the amount available this year for such grants, mainly to provide for higher than expected investment during the transitional period for payment of old regional development grant.

For Agriculture, my plans will permit consolidation of our policy of developing cost effective agriculture and fishing industries with particular regard to supporting the rural economy. In response to representations from the agricultural community I have made available an additional sum of £750,000 in each of 1987-88 and 1988-89 for the Advisory services in Scotland.

For Housing in 1987-88 total net provision will be £696m, an increase of £51m over provision for the current year, and £23m higher than the previously planned provision for 1987-88. It remains my intention to

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concentrate resources on investment, in particular to meet the needs identified in local authorities' own stock, and to accelerate the payment of private sector improvement grant claims which have already been approved. I have therefore increased net capital provision by 20% - £90m - to £548m for 1987-88 compared with 1986-87. I expect this to take up some 79% of the total housing programme compared to 72% this year. When investment financed by net capital receipts is taken into account the programme will allow for gross capital investment next year of £720m - an increase of £82m over the planned level of £638m in 1986-87. I have made significant extra provision available for the Housing Corporation the Scottish Special Housing Association and the New Towns. I am also pleased to be able to recognise in a tangible way the importance of preserving our heritage by increasing the resources available for historic building grants by 80% next year and by even more thereafter.

The fact that the Government have been able to announce these substantial increases while continuing to reduce public spending as a proportion of national income is a tribute to the success of our control of the economy since we came to office.

	1986-87		1987-88		1988-89		£ million
	Cmnd 9702-II# Provision	Est Outturn	Cmnd 9702-II# Provision	Revised Provision*	Cmnd 9702-II# Provision	Revised Provision*	1989-90 Provision*
Agriculture	188	189	183	186	190	190	190
Industry	304	344	232	257	240	240	250
Tourism	13	13	13	13	10	10	10
Transport	587	582	595	601	600	620	630
Housing	645	637	673	696	700	700	730
Other Environmental Services	588	616	596	609	600	630	650
Law, order and protective Services	563	566	577	625	580	650	660
Education	1792	1945	1796	1956	1800	2040	2090
Arts and Libraries	75	75	75	82	70	80	90
Health and Social Work	2443	2464	2535	2605	2620	2710	2830
Other Public services	112	112	114	118	120	120	120
LA current expenditure not allocated to services	19	0	19	124	20	130	130
Nationalised Industries External financing	239	239	1	87	-120	-20	-170
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	7567	7783	7409	7957	7430	8110	8220

Note Figures for 1988-89 and 1989-90 are rounded to the nearest £10 million

White Paper (Cmnd 9702-II#) figures adjusted for pre-survey changes.

* Figures reflect survey changes. Some figures may be subject to detailed technical amendment

Due to rounding, individual figures may not sum to totals.

Agriculture

The expenditure plans will permit consolidation of the Government's policy of developing cost effective agriculture and fishing industries with particular regard to supporting the rural economy.

Industry

Overall provision has been increased by £25 million - 10.8 per cent - in 1987-88 compared with last year's White Paper. As explained then provision in 1987-88 will be less than that in 1986-87 because of the ending of payments under the old style regional development grant scheme. The provisional outturn for 1986-87 is £40 million higher than that foreshadowed last year because of the higher than expected take up of old regional development grant. Overall, provision remains broadly constant over the forward years. Within the total an extra £25 million, 26 per cent, has been made available for direct grants to industry in 1987-88.

Transport

Provision next year (excluding grants to transport nationalised industries) will be about £14 million more than was planned for the current year. Progress on the motorway and trunk road programme will continue with priority being given to schemes which will improve accessibility to areas of significant economic activity and remove through traffic from communities. The Government will also continue to honour its commitment to subsidising shipping services and civil aviation facilities in the Highlands and Islands. For the later years the provision has also been increased over the level provided for in the 1986 Public Expenditure White Paper.

Housing

The increased provision for Housing is concentrated on capital investment mainly to meet local authorities identified needs, and to accelerate the payment of private sector improvement grant claims. The additional provision for the Housing Corporation is for their pilot community co-operative project and continuation of their work on area renewal.

That for New Towns housing will allow them to assess the relative priorities between house improvements and new building for rent in their areas following the lifting of the moratorium on general needs house building.

Other Environmental Services

The provision for 1987-88 is about £14 million more than was previously planned. Further growth is planned in future years with provision being set at £630 million for 1988-89 and at £650 million for 1989-90. Much of the increase relates to local authority current expenditure. For the remaining elements within the Secretary of State's direct control increased priority has been given to grants for the maintenance and repair of historic buildings. These increase by over 80 per cent next year and will more than double in later years; reflecting the Government's commitment to the heritage of this country.

Law Order, and Protective Services

Plans for the prison service give full cover for the cost in staff and supplies of an inmate population substantially higher than forecast in the last Survey; provide for an additional 126 prison staff next year to keep Low Moss Prison open into 1988 and to improve standards of nursing care at Glenochil. For the police, provision will meet fully the expected cost of the service with a modest annual increase in manpower and will maintain central support for the Scottish Crime Squad and its Drugs Wing. There will be continuing support for crime prevention measures. The plans also allow for higher levels of demand for legal aid services and for criminal injuries compensation and for increased running costs in the Courts. £150 million of capital spending is planned over the next three years, on new or improved court and prison buildings including the new prison at Peterhead, and on the needs of the police and fire services.

Education

Provision includes the extra resources which will be made available for an acceptable deal on pay and conditions of service for school teachers. As already announced there is also a £50 million unallocated education margin. Increased capital expenditure has also been made available for the Central Institutions, the Colleges of Education and for local authorities for building work (£3 million in 1987-88) and scientific and technical equipment particularly relevant to Standard Grade (£2 million in 1987-88).

Arts and Libraries

Central Government expenditure on the National Institutions in 1987/88 represents an increase of 5.5% over 1986/87. [Planning of the second phase of the new building at Causewayside for the National Library of Scotland has been authorised.] Substantial additional resources will be provided for maintaining the existing buildings of the three Scottish National Institutions; and for staffing and administrative improvements at the Royal Museum of Scotland. Provision for local authority expenditure on arts and libraries has also been increased.

Health

The provision for the Health programme allows for increased spending on hospital and community health services of 6% in 1987-88. In each of the later years, provision increases by 1% more than forecast inflation, to enable Health Boards to continue to develop services in line with national priorities, and to meet pay and price increases. Plans for the Family Practitioner Services allow for expected increase in public demand, and take account of movements in pay and prices. Capital spending on major health service projects will total about £370 million over the next three years. Health Boards will also retain income from sales of surplus land and buildings which can be used to pay for other capital works.

Social Work

Total provision for Social Work is planned to rise by £26 million, just over 7 per cent. These figures reflect particular regard for the needs of the

elderly and the handicapped. Provision for local authority capital expenditure on Social Work Services is planned to rise by £1.5 million in 1987-88 over the current year.

Nationalised Industries