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Treasury Chambers, Parliament Street, SW1P 3AG
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Mark Addison Esq
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My reply

Dear Mark

PUBLIC EXPENDITURE PER FAMILY

file with MEA

You sent us a copy of your letter of 22 April to Geoffrey Podger about figures for public expenditure per family on health, education and social security. I have also seen Geoffrey Podger's reply dated 29 April.

Like DHSS, we have reservations about your figures. We think you are open to challenge if you use the figures as "public expenditure per family" without any qualification, when they are calculated simply by multiplying expenditure per capita by four. As Geoffrey pointed out, the average household size is just over $2\frac{1}{2}$ people, and the classic family of 2 adults and 2 children accounts for only $13\frac{1}{2}\%$ of households.

You told me that you had received briefing from the Treasury which said that the 1981 Census had revealed that there were 14.509 million families in GB (not very different from what you get by dividing the population by four). So far as I can tell, that figure must have been based on the CSO definition of a "family", which is "a married couple, alone or with their never-married child or children (of any age), or a lone parent together with his or her never-married child or children". As you will see, this means that that figure excludes single people living alone, including widows and widowers, many of whom will both benefit from this spending and contribute towards it through taxation.

The best way out seems to me to stick carefully to the formulation "public expenditure per family of four", which is defensible. This is what DHSS have done in the written answers you referred me to.

The only alternative would be to use figures for public expenditure per household, or per taxpayer. But these would, of course, produce considerably lower figures (by about a third and a half respectively).



The other points we had were:

- i. we would prefer to deduct spending on the Research Councils from the figures for education, in order to concentrate on purely educational spending which gives a direct service to families. This would give a total of £21,193 million instead of £21,892 million, and the figure for expenditure per family of four would then be £28.60.
- ii. Like DHSS, we see some problems in using gross figures for spending on health. There are indeed difficulties in measuring gross UK expenditure, though we would not contest DHSS's estimates of this year's provision. More important is that not all gross expenditure is financed from taxes and patient charges: it includes for example some income from sales of surplus land.
- iii. We attach importance to referring always to "public expenditure per family of four", and not "cost per family of four". This is particularly important for social security which is made up of transfer payments - the "average family" pays money with one hand and receives it back with the other. But for health also it could be misleading to imply that the whole gross cost of the NHS is met by families, since some is met by sales of land.

I am copying this letter to Geoffrey Podger (DHSS) and Tom Jeffery (DES).

*Yours
Allan*

A C S ALLAN
Principal Private
Secretary

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