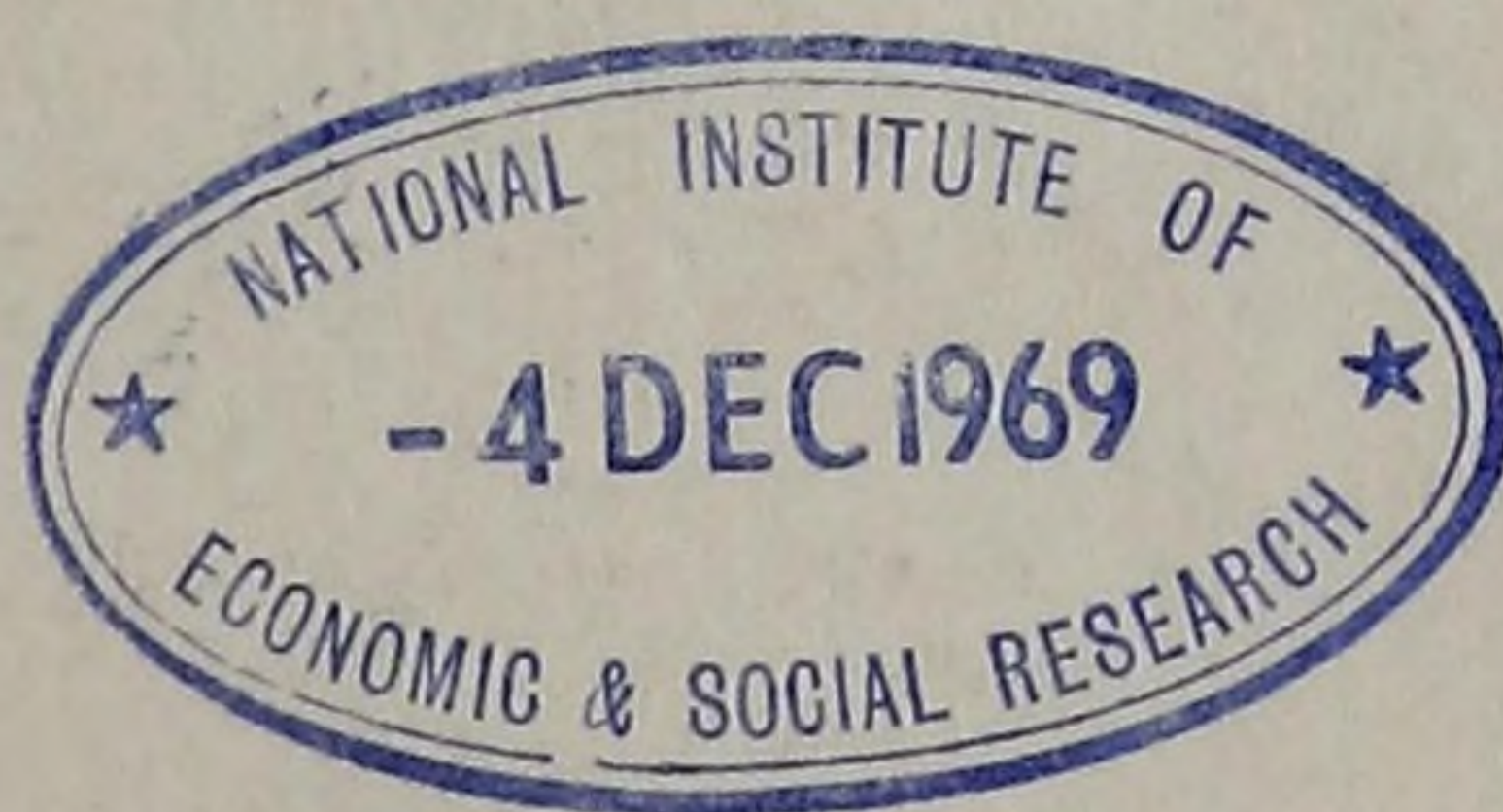


A.



Public Expenditure 1968-69 to 1973-74

*Presented to Parliament by the Chancellor of the Exchequer
by Command of Her Majesty
December 1969*



LONDON
HER MAJESTY'S STATIONERY OFFICE
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PUBLIC EXPENDITURE: 1968-69 to 1973-74

FOREWORD

In April this year the Government proposed that "there should be published towards the end of each calendar year a White Paper which will present to Parliament the results of the Government's consideration of the prospect for public expenditure" (Cmnd. 4017, paragraph 5).

This proposal was welcomed by the Select Committee on Procedure in their Report on the Scrutiny of Public Expenditure and Administration (H.C. 410). In the debate on this Report on 21 October the Government announced their intention to produce the first White Paper in the new series in the near future, and this was foreshadowed also in the Queen's Speech. The present White Paper fulfils this intention.

December, 1969

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PART 1

PUBLIC EXPENDITURE—THE GENERAL PROSPECT

Introduction

1. This White Paper sets out the Government's plans for public expenditure for the current financial year 1969-70 and for the next two years. It also gives allocations of expenditure on a provisional and approximate basis for the two subsequent years, 1972-73 and 1973-74, for which the Government have not yet taken decisions. These plans and allocations give expression to the Government's policy that expenditure on public services shall expand throughout the period broadly in line with the growth of the nation's resources as a whole.

2. Public expenditure is a generic term for a large number of programmes and services administered by individual departments, local authorities, nationalised industries, and other public corporations and agencies, all financed in varying degrees by the Government and subject in varying ways to central influence or control. At any one time it reflects the results of a complex of decisions, some stretching back several years, the effects of which will often be felt for many years to come. Basic reviews of policy are made in particular programmes from time to time. But most of the decisions which the Government take on public expenditure from year to year are directed to the questions: what modifications should be made to existing programmes? How much provision should be made for new policies or for developments of existing programmes? What is the sensible allowance to include for further developments of policy, or to meet unexpected turns of events?

3. In making their plans and carrying them out the Government have to take account of changing circumstances at home and abroad. They also have to allow for special features of the programmes themselves. For some programmes, expenditure depends in part on Government decisions but in part also on what happens beyond the reach of government. Examples are sickness benefit, where the Government decides the rate of benefit but the occurrence of sickness determines whether benefit is paid; or investment grants, where the rate of grant is decided by the Government but its payment depends on the amount of investment done by industry. In other cases a probable call for additional spending can be foreseen, but not the precise timing and scale of that expenditure—for example, support for future, as yet unformulated, technological projects. Then, for nearly 30 per cent of total public expenditure, local authorities, with their own degree of autonomy, share responsibility with the Government; broadly, their capital expenditure which is financed by borrowing requires central sanction, but they have power to decide how much current expenditure to incur, in the light of the guidance which the Government are able to give on the standards of services and on the relative priorities between services and of the volume of Government funds available to them in support of their own revenue (see Appendix I).

4. For all these reasons any forward plans for public expenditure as a whole need to be flexible, and the figures in which plans are expressed at any one time should be interpreted with this in mind. The next sections of this paper briefly trace how expenditure has moved in recent years, and then set out the future prospects.

The course of public expenditure over the last four years

5. Totals of public expenditure have usually been given in recent years in relation to the expenditure of the Government, local authorities and some public corporations, excluding the capital expenditure of the nationalised industries and debt interest. The total on this basis in 1968-69 was about £16,000 million at today's prices⁽¹⁾. The total if the capital expenditure of nationalised industries and debt interest are included was about £19,500 million, of which about £12,500 million or roughly two-thirds was spent directly by public authorities themselves on the purchase of resources. The balance of £7,000 million consists almost entirely of transfer payments, such as social security benefits and industrial subsidies; it is the recipients of these payments, not the public authorities, who decide how the money is spent.

6. The following table shows in broad terms how, within the rising total, the composition of public expenditure was being changed:

**PUBLIC EXPENDITURE BY GROUPS OF PROGRAMMES:
1964-65 TO 1968-69**

TABLE 1.1

	1964-65 outturn £m	1965-66 outturn £m	1966-67 outturn £m	1967-68 outturn £m	1968-69 provi- sional outturn £m	Average annual increase per cent 1964-65 to 1968-69
<i>At 1969 Survey prices</i>						
Defence and external re- lations	2,856	2,912	2,933	2,977	2,772	-0.7
Commerce and industry (i) Environmental services ..	634	634	768	1,318	1,498	9.0
Social services	2,684	2,834	2,946	3,172	3,223	4.7
Other services	5,801	6,278	6,515	7,028	7,317	6.0
Nationalised industries, etc. capital expenditure ..	641	702	750	822	843	7.1
Debt interest	1,376	1,374	1,620	1,783	1,510	2.4
Relative price effect and other adjustments (ii) ..	1,564	1,618	1,735	1,936	2,051	7.0
	-472	-254	-59	177	381	
<i>At 1969-70 outturn prices</i>						
Total (i)	15,084	16,098	17,208	19,213	19,595	5.9
<i>Annual increase per cent (i)</i>	3.8	6.7	6.6	9.0	1.6 (iii)	

(i) The figures for this group of programmes include £52 million for selective employment tax additional payments in 1966-67, and £520 million and £604 million for investment grants, regional employment premiums and selective employment tax additional payments in 1967-68 and 1968-69 respectively, which were not payable in 1964-65 and 1965-66. The annual percentage change in the last column for this group, and for the total, are calculated excluding these new expenditures.

(ii) "Relative price effect" is the term used to refer to the allowance that needs to be made for the fact that over a period of time a series of figures on a constant price basis will understate the share of national resources which public expenditure absorbs. For further details see Appendix III, paragraphs 11-14.

(iii) Increases in the succeeding three years will be 2.4, 3.5 and 3.2 per cent respectively—see paragraph 14 below.

⁽¹⁾ 1969-70 outturn prices. By outturn (or current) prices is meant the actual prices at which expenditure was incurred, or is estimated to be incurred, during the year in question.

7. Between 1964-65 and 1968-69 the Government's new defence policies brought about a fall in defence expenditure in real terms. In the civil sector, regional development policy was combined with measures to modernise and restructure industry, and with expenditure on other items under this heading, including scientific and technological research and other measures in support of industry and employment, this became the fastest rising group of programmes—9.0⁽²⁾ per cent per annum. Priority was also given to the social services on which expenditure was increased by an average annual rate overall of 6.0 per cent, including 4.9 per cent on education, 3.9 per cent on health and welfare and 8.3 per cent on social security.

8. Nationalised industries' capital expenditure rose at an average of 2.4 per cent a year overall. Capital expenditure by the electricity industry turned downwards towards the end of the period; investment by the coal industry continued to decrease.

9. The net effect of all these movements was to produce an average annual increase in total public expenditure between 1964-65 and 1968-69 of 5.9 per cent (including the relative price effect⁽³⁾), with expenditure on defence beginning to fall and civil expenditure, particularly on the social and economic services, rising faster than before.

Prospective growth of resources

10. Over the past decade a rising labour force contributed about $\frac{1}{2}$ per cent a year to the increase in total output (which at constant—1963—prices averaged just under 3 per cent a year), the balance coming from increased productivity.

11. During the next few years, little change is expected in the size of the working population, but in 1973 and 1974 the raising of the school-leaving age will reduce the numbers of young people joining the work force. Thus rising output can only come from rising productivity. It seems that the underlying rate of increase in productivity is now about 3 per cent a year or a little less.

12. "The Task Ahead" envisaged an increase of total output within a range of just under 3 per cent to about 4 per cent a year. In settling the levels of public expenditure over the next few years, the Government have based their decisions on the assumption that the rate of growth of the nation's resources will be at the lower end of this range. They have made this assumption because they consider it wise to take a cautious view of the resources available. Despite the marked recent improvement in the country's overseas earnings, there remains the overriding need to make available a sufficient share of these growing resources for maintaining an adequate surplus on the balance of payments and a higher level of private investment. But if experience were to show that a higher rate of growth could be achieved at the same time as the other objectives of the Government's economic policies, then it would become a matter for decision how far this additional

⁽²⁾ The rates of increase given for particular programmes do not take account of the relative price effect. This is included in the rates of increase given for public sector expenditure as a whole and accounts for about $\frac{1}{4}$ per cent per annum spread over the programmes other than the capital investment of the nationalised industries, etc., and debt interest.

⁽³⁾ See footnote (ii) to Table 1.1.

output should be used to expand public expenditure programmes or in other ways.

The general prospect for public expenditure up to 1971-72

13. The prospect for public expenditure and receipts up to 1971-72 is summarised in Table 1.2⁽⁴⁾. The figures are here presented in the new way explained in the Government's Green Paper of April, 1969⁽⁵⁾.

14. The movement of total public expenditure is shown in line 14. The rates of increase between one year and the next from 1968-69 to 1971-72 are 2.4 per cent, 3.5 per cent and 3.2 per cent, respectively—an average of 3.0 per cent for this period as a whole.

15. The Government have in the past published limits⁽⁶⁾ against which all public expenditure was to be counted except the capital expenditure of the nationalised industries and debt interest, though without adjustment for the relative price effect. Expressed at 1969 Survey prices these limits have been:

		£ million
1968-69	1969-70	1970-71
16,098	16,252	16,757

The corresponding totals in this White Paper are within these limits⁽⁷⁾, as follows:

		£ million
1968-69	1969-70	1970-71
15,822 (<i>provisional outturn</i>)	16,214 (<i>estimate</i>)	16,722 (<i>estimate</i>)

⁽⁴⁾ Detailed analyses of the figures in Table 1.2 are given on pages 21 to 28 in Tables 1.7-1.10 for each of the years 1968-69 to 1971-72, distinguishing expenditure, and receipts also, so far as this is relevant.

⁽⁵⁾ "Public Expenditure: A New Presentation" (Cmnd. 4017).

⁽⁶⁾ "Public Expenditure in 1968-69 and 1969-70" (Cmnd. 3515) and "Public Expenditure 1968-69 to 1970-71" (Cmnd. 3936).

⁽⁷⁾ The composition of these totals is explained in Appendix III, paragraphs 16 and 17.

PUBLIC EXPENDITURE AND RECEIPTS: 1968-69 TO 1971-72

£ million at 1969-70 outturn prices

TABLE 1.2

Line	Receipts				Expenditure					
	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate		
1	A. RESOURCES				Purchase of resources for current and capital purposes	12,940	13,311	13,876	14,560	
2					Deduct charges	-400	-439	-438	-469	
3					Net expenditure on resources	12,540	12,872	13,438	14,091	
4	B. TRANSFERS, TAXATION, ETC.				Grants and subsidies	4,976	5,171	5,237	5,312	
5					Debt interest ⁽¹⁾	1,749	1,670	1,685	1,676	
6	Taxes	13,458	14,723	15,133	15,567	—	—	—	—	
7	Contributions:					—	—	—	—	
	(a) National Insurance	1,923	2,044	2,302	2,299	—	—	—	—	
	(b) Other	280	281	285	285	—	—	—	—	
8	Other receipts	2,584	2,648	2,628	2,864	—	—	—	—	
9	Total	18,245	19,696	20,348	21,015	6,725	6,841	6,922	6,988	
10	BALANCE OF SECTIONS A. and B. ("Balance of resources, transfers, taxation, etc.")					-1,020	-17	-12	-64	
11	C. ASSETS				Net purchase of land, existing buildings and financial assets	330	344	394	341	
12	Taxes on capital and miscellaneous borrowing, etc.	1,072	903	306	380	—	—	—	—	
13	Total	1,072	903	306	380	330	344	394	341	
14	TOTAL RECEIPTS (Lines 9 and 13)	19,317	20,599	20,654	21,395	TOTAL EXPENDITURE (Lines 3, 9 and 13) (Public Expenditure) ..	19,595	20,057	20,754	21,420
15	TOTAL BALANCE	—	—	—	—	-278	542	-100	-25	

(1) Excluding debt interest paid abroad, which is included in Section A "Resources"

The programmes in 1968-69 were well within the target—to some extent because expenditure provided for in the year was not actually met until the following year. Mainly for this reason the actual increases in these aggregates, which exclude the capital expenditure of the nationalised industries, etc., and debt interest, between 1967-68 and 1969-70 are now estimated at about $2\frac{1}{2}$ per cent in each year, and between 1969-70 and 1970-71 at about $3\frac{1}{4}$ per cent. Detailed comparisons between the programme estimates for 1969-70 and 1970-71 given in the White Paper “Public Expenditure 1968-69 to 1970-71” (Cmnd. 3936) of last February and in this White Paper are shown in Appendix II.

16. In Table 1.2 expenditure and receipts are classified under three main headings—Resources; Transfers, taxations etc.; and Assets. The distribution of the contingency reserve, by its nature, cannot be forecast. It has been arbitrarily included as a whole under Resources since its implications for demand would be greatest if it were all required for purchases of resources; but some of it might in the event be required for expenditure on either of the other classes.

17. Net expenditure on resources, which is the class having the most powerful effect on demand, is shown in line 3 to rise by 4 per cent per annum. Of this, about $\frac{1}{2}$ per cent is attributable to the contingency reserve and $1\frac{1}{4}$ per cent to the relative price effect. Net expenditure on assets, the category which has the least impact on demand in the short term, is shown in line 11 to rise at an annual rate of a little over 1 per cent; but this is a small element in the total. Expenditure on transfers is shown in lines 4 and 5 as rising by about $1\frac{1}{4}$ per cent a year; but the figures will be affected by whatever decisions are eventually taken on the uprating of social security benefits in the period (see section 17 of Part 2 on social security).

18. The receipts side of the table, unlike the expenditure side, shows projections which do not represent explicit Government decisions. Changes in tax rates are among the main instruments for the short-term regulation of the economy; there may have to be modifications in the light of the situation as it develops from year to year and the Government cannot commit themselves in advance. The projections of receipts are therefore based on certain assumptions. These may not in the event be realised; but they indicate the trend as it would be if no further changes were made in the system. Thus the yield of Government taxes has been calculated on the assumptions that present tax rates and allowances will continue unchanged and that the gross national product will grow as postulated. Changes in tax rates which were made in the Budgets of 1968 and 1969 are, of course, allowed for. National insurance contributions are projected to rise so as to match, together with the Exchequer supplement, the assumed growth of expenditure on benefits. Similarly, projections of income from local rates are related to projections of the expenditure of local authorities and assume that the existing system of grants to those authorities continues.

19. The average annual increase in total receipts over the period is estimated on these assumptions at $3\frac{1}{2}$ per cent. There is a large increase, of $9\frac{1}{2}$ per cent, in the yield of taxes between 1968-69 and 1969-70, shown in line 6; this results partly from budgetary changes which have already taken place and partly from the growth of the economy. In the following year the rate of increase still owes something to recent changes in tax rates. The

change between 1970-71 and 1971-72 is put at about 3 per cent; this increase is not significantly influenced by past changes in tax rates.

20. Line 15 shows the balance between total receipts and total expenditure. In the current financial year the public sector as a whole is forecast to have a surplus of receipts over expenditure of over £500 million. In the past the public sector has normally had a deficit financed by borrowing. The change from a public sector deficit in 1968-69 to a sizeable surplus in 1969-70 has played an important part in creating the financial conditions necessary for achieving a surplus on the balance of payments. The prospect is that at existing tax rates total receipts and total expenditure will be roughly in balance during the following two years.

21. A second balance is struck in line 10 by excluding transactions in assets (line 13) from total receipts and total expenditure. Movements in this second balance—the balance of resources, transfers, taxation, etc.—constitute a better guide than the balance of total receipts and total expenditure to the impact of public sector operations on real demand in the short term. This balance, too, shows a large favourable swing between last year and the current year. This improvement in the balance of public sector transactions (other than in assets) has contributed to the switch of resources into the balance of payments which has already taken place. Its maintenance over the coming period will help to consolidate the improvement in our overseas position and to set free resources for a further increase in private investment.

The prospect for public expenditure programmes up to 1971-72

22. The plans for public expenditure programmes up to 1971-72 show a continuation of the same broad pattern as has been developing over recent years. The real cost of defence will continue to fall as changes in defence policy take effect. At the same time the Government are planning for an increase in civil programmes. Environmental and social services increase from 61 per cent of total public expenditure in 1968-69 to 64 per cent in 1971-72. But these developments are planned within a total of public expenditure which will be growing at an average annual rate of 3 per cent, compared with 5.9 per cent over the last four years.

23. The following table summarises the figures.

**PUBLIC EXPENDITURE BY GROUPS OF PROGRAMMES:
1968-69 TO 1971-72**

TABLE 1.3

	1968-69 provisional outturn £m	1969-70 estimate £m	1970-71 estimate £m	1971-72 estimate £m	Average annual percentage increase
<i>At 1969 Survey prices</i>					
Defence and external relations	2,772	2,688	2,635	2,565	-2.6
Commerce and industry ..	1,498	1,678	1,688	1,697	4.2
Environmental services ..	3,223	3,299	3,500	3,699	4.7
Social services	7,317	7,698	8,039	8,321	4.4
Other services	843	902	948	981	5.2
Nationalised industries etc. capital expenditure	1,510	1,439	1,474	1,436	-1.7
Debt interest (i)	2,051	2,050	2,050	2,025	-0.4
Relative price effect and other adjustments	381	303	345	521	
Contingency reserve	—	—	75	175	
<i>At 1969-70 outturn prices</i>					
Total	19,595	20,057	20,754	21,420	3.0

(i) The forward figures of debt interest involve the neutral assumption that interest rates continue at their present levels; this is, of course, not a forecast. Allowance is made for some reduction in the total volume of debt, and for the refunding of current debt.

24. The detail lying behind this summary is set out in table 1.4, which distinguishes 20 main programmes, most of which comprise a large number of individual projects or services. This classification brings together expenditure of the various spending authorities—Government, local authorities and public corporations other than nationalised industries—which is directed to single broad objectives, e.g., education and housing. The public expenditure of Northern Ireland and the capital expenditure of nationalised industries are brought together under single headings, and so is debt interest. Part 2 of this White Paper provides a commentary on each of the programmes.

25. The contingency reserve, shown in this table in line 25, makes provision for new expenditure which may have to be incurred but the precise nature, scale and timing of which cannot be foreseen. It is also needed to cover any excess over present estimates, in particular for programmes where expenditure is partly determined by factors not under the spending authority's own control, and to provide an element of flexibility should the economy not develop as is assumed in the plans. Since these uncertainties increase over time, provision has been made on an increasing scale.

**PUBLIC EXPENDITURE BY PROGRAMME:
1968-69 TO 1971-72**

TABLE 1.4

	1968-69 provisional outturn £m	1969-70 estimate £m	1970-71 estimate £m	1971-72 estimate £m	Average annual percentage increase
<i>At 1969 Survey prices</i>					
<i>Defence and external relations</i>					
1. Defence Budget	2,292	2,252	2,211	2,161	-1.9
2. Other military defence	146	85	66	28	-42.4
3. Overseas aid (i)	206	224	234	251	6.8
4. Other overseas services	128	127	124	125	-0.8
<i>Commerce and industry</i>					
5. Technological services	190	205	226	207	2.9
6. Other assistance to employ- ment and industry	857	954	925	937	3.0
7. Research Councils, etc.	90	98	105	111	7.2
8. Agriculture, fisheries and forestry	361	421	432	442	7.0
<i>Environmental services</i>					
9. Roads and public lighting	610	629	691	758	7.5
10. Transport	251	242	244	247	-0.5
11. Housing	1,095	1,073	1,141	1,202	3.2
12. Local environmental services	693	742	769	797	4.8
13. Law and order	558	595	635	673	6.4
14. Arts	16	18	20	22	11.2
<i>Social services</i>					
15. Education	2,232	2,300	2,381	2,499	3.8
16. Health and welfare	1,790	1,853	1,920	2,002	3.8
17. Social security (i)	3,295	3,545	3,738	3,820	5.1
<i>Other services</i>					
18. Financial administration	219	225	220	212	-1.1
19. Common services	164	186	205	223	10.8
20. Miscellaneous services	57	65	80	95	18.5
21. Northern Ireland	403	426	443	451	3.8
22. Nationalised industries etc. capital expenditure	1,510	1,439	1,474	1,436	-1.7
23. Debt interest	2,051	2,050	2,050	2,025	-0.4
24. Relative price effect and other adjustments	381	303	345	521	
25. Contingency reserve	—	—	75	175	
<i>At 1969-70 outturn prices</i>					
Total	19,595	20,057	20,754	21,420	3.0

(i) At outturn prices—see Appendix III, paragraphs 7, 9 and 15.

26. An analysis of the programmes by spending authority is given for each of the four years in Tables 3.1-3.4 on pages 64 to 67. These tables distinguish those elements of expenditure to be incurred by the Government (showing Vote-financed expenditure separately from that financed from the National Insurance Funds and other funds), by local authorities, and by public corporations, including, in addition to the nationalised industries, the broadcasting authorities, the new town corporations, and a number of other individual bodies.

27. The totals of the expenditure of those three groups of spending authorities are planned to move as shown in the following table which also distinguishes capital and current expenditure: ⁽⁸⁾

**PUBLIC EXPENDITURE BY SPENDING AUTHORITY, DISTINGUISHING
CURRENT AND CAPITAL EXPENDITURE: 1968-69 TO 1971-72**

TABLE 1.5

	1968-69	1969-70	1970-71	1971-72	Average annual percentage increase
	£m provisional outturn	£m estimate	£m estimate	£m estimate	
<i>At 1969 Survey prices</i>					
central government	10,719	11,215	11,557	11,761	3.1
of which—Current	9,444	9,769	10,021	10,107	2.3
Capital	1,275	1,446	1,536	1,654	9.1
local authorities	4,752	4,832	5,028	5,274	3.5
of which—Current	3,027	3,140	3,244	3,376	3.7
Capital	1,725	1,692	1,784	1,898	3.2
public corporations					
Capital	1,692	1,657	1,699	1,664	-0.6
Debt interest	2,051	2,050	2,050	2,025	-0.4
Relative price effect and other adjustments	381	303	345	521	
Contingency reserve	—	—	75	175	
<i>At 1969-70 outturn prices</i>					
Total	19,595	20,057	20,754	21,420	3.0

28. The growth of current expenditure by the Government is mainly in social security (partly because of recent increases in benefit, partly because of increased numbers), the National Health Service, and the universities; and the growth in capital expenditure mainly in roads and transport, investment grants, hospitals, offices, computer centres and other Government buildings, and lending under the overseas aid programme.

29. Local authorities are responsible for the greater part of expenditure, current and capital, on local environmental services (96 per cent), law and order (81 per cent), and housing (79 per cent)—that is, in nearly all the main programmes in the environmental services group which, with an average annual rate of increase of 4.7 per cent (see Table 1.3), is the major group planned to grow most rapidly in the period. Within the social services group, local authorities have the major part of expenditure in education (84 per cent). These various services, together with roads, are also individually the largest to be run by local authorities. Together they account for over 90 per cent of local authorities' expenditure, 40 per cent of it going on education alone.

30. The figures quoted in Table 1.5 for the current expenditure of local authorities differ from the figures of relevant expenditure on which rate support grant is paid in Great Britain in that the former include some items

⁽⁸⁾ The aggregates of public expenditure and the individual programmes for each year 1968-69 to 1971-72 are analysed in detail by economic category in tables 3.5 and 3.6 on pages 69 to 72.

(mainly rate fund contributions to council house rents) which do not come within "relevant expenditure", but exclude loan charges and some other items which do; moreover Table 1.5 covers Northern Ireland, which is outside the Great Britain rate support grant settlements. The total of Great Britain relevant expenditure to attract rate support grant in 1969-70 and 1970-71 was determined last winter. For 1971-72 the elements of local authority relevant expenditure (other than loan charges) which are included in the programmes imply, when brought together, a growth of 4 per cent in real terms above the total which was accepted for 1970-71 under the 1968 rate support grant settlement⁽⁹⁾. This is the rate of increase which the Government will regard as an acceptable basis for the next rate support grant determination; and they consider that the resources available to local authorities after such a determination will enable them to achieve the programmes which are embodied in this White Paper, including as the largest among them the education programme.

31. Capital expenditure by the nationalised industries reflects the changing pattern of demand for the output of the industries concerned. The fastest rising (and soon the biggest) individual programme is that of the Post Office, to meet the rapid increase in demand for telecommunications services. The capital expenditure of the industries as a whole is expected to fall slightly between 1968-69 and 1971-72 as a result of a substantial reduction in capital expenditure by the electricity industry, which will more than offset rising expenditure by other industries.

Public expenditure in 1972-73 and 1973-74

32. The Government have not yet taken decisions on the levels for individual programmes in 1972-73 and 1973-74, but they are planning on the basis that the total of public expenditure will grow broadly in line with the forecast growth of the economy as a whole. In table 1.6 there are shown provisional allocations among the programmes of a total of public expenditure which rises by about 3½ per cent in both years. Decisions on the programmes will be made in due course by the Government at the time and will be laid before Parliament.

33. All the figures in table 1.6 are provisional, and the margins of estimation vary from one programme to another. The allocation made to the Defence Budget on this basis of £2,070 million in 1972-73 is simply carried forward at the same level for 1973-74. For Overseas Aid, as further steps towards the UNCTAD target⁽¹⁰⁾, the Government have announced a programme totalling £270 million for 1972-73 and £305 million for 1973-74. For a number of programmes information is necessarily incomplete at this stage: the Technological Services programme cannot be settled until much nearer the time because new technological projects may come forward in the meanwhile which should be considered for places in the programme. The amounts to be spent on other assistance to employment and industry will be affected by the course of private investment attracting investment grants; and decisions affecting support for agriculture will be taken in successive annual Farm

⁽⁹⁾ For an explanation of the financial arrangements between the Government and local authorities see Appendix I.

⁽¹⁰⁾ See 2.3, paragraph 4.

Price Reviews. Environmental and social services, except social security, involve large expenditures by local authorities whose own decisions may affect the amounts to be spent and their distribution between programmes. The course of expenditure on social security will be mainly determined by the extent of upratings.

PUBLIC EXPENDITURE BY PROGRAMME:
PROVISIONAL ALLOCATION, 1972-73 AND 1973-74 (i)
£ million

TABLE 1.6

	1972-73 provisional allocation (i)	1973-74 provisional allocation (i)
<i>At 1969 Survey prices</i>		
<i>Defence and external relations</i>		
1. Defence Budget	2,070	2,070 (ii)
2. Other military defence	20	25
3. Overseas aid (iii)	270	305
4. Other overseas services	125	125
<i>Commerce and industry</i>		
5. Technological services	190	170
6. Other assistance to employment and industry	920	900
7. Research Councils, etc.	115	115
8. Agriculture, fisheries and forestry	445	450
<i>Environmental services</i>		
9. Roads and public lighting	830	870
10. Transport	240	245
11. Housing	1,260	1,290
12. Local environmental services	830	860
13. Law and order	700	730
14. Arts	25	25
<i>Social services</i>		
15. Education	2,550	2,600
16. Health and welfare	2,070	2,120
17. Social security (iii)	3,920	4,060
<i>Other services</i>		
18. Financial administration	215	210
19. Common services	245	260
20. Miscellaneous services	80	80
21. Northern Ireland	465	480
22. Nationalised industries, etc. capital expenditure	1,570	1,640
23. Debt interest (iv)	2,000	2,000
24. Relative price effect and other adjustments (v)	665	820
25. Contingency reserve	350	500
<i>At 1969-70 outturn prices</i>		
Total	22,170	22,950

(i) See paragraphs 32 and 33 as to the provisional status of the figures in relation to individual programmes, and in particular their relation to eventual decisions on the programmes by Government and their consideration by Parliament.

(ii) The provisional allocation to this programme of £2,070 million for 1972-73 is simply carried forward at the same level in 1973-74.

(iii) At outturn prices—see Appendix III, paragraphs 7, 9 and 15.

(iv) The forward figures of debt interest involve the neutral assumption that interest rates continue at their present levels; this is not, of course, a forecast. Allowance is made for some reduction in the volume of debt and for the refunding of current debt.

(v) See Appendix III, paragraphs 11 to 14.

34. Renewed growth in capital expenditure by the nationalised industries is likely in 1972-73 and 1973-74 following four years in which there will have been little change in the total of this expenditure. In a number of programmes, for instance telecommunications, there will be continuing increases, and the level of capital expenditure by the electricity industry will begin to rise again.

35. Decisions on the pattern of expenditure in 1972-73 will be taken in next year's annual review and embodied in the White Paper for that year. At that time provisional allocations will again be made for 1973-74, and for a further year 1974-75. As the programmes are rolled forward in this way each year, and as calls are made on the contingency reserve, changes are to be expected in the individual totals.

PUBLIC EXPENDITURE BY PROGRAMME
PROVISIONAL ALLOCATIONS 1972-73 AND 1973-74
TABLE 22. PROVISIONAL ALLOCATIONS BY PROGRAMME

Programme	1972-73 (provisional)	1973-74 (provisional)
1. Defence	2,070	2,070
2. Other military defence	270	270
3. Overseas aid (m)	123	123
4. Other overseas services	170	170
5. Technical services	180	180
6. Other services to employment and industry	920	920
7. Research Councils, etc.	443	443
8. Agricultural, fisheries and forest services	850	850
9. Consumer services	1,500	1,500
10. Roads and public lighting	830	830
11. Local environmental services	700	700
12. Law and order	25	25
13. Arts	25	25
14. Social services	2,170	2,170
15. Education	2,920	2,920
16. Health and welfare	4,000	4,000
17. Social security (m)	215	215
18. Other welfare	20	20
19. Common services	20	20
20. Miscellaneous services	20	20
21. Fisheries (m)	1,370	1,370
22. Agricultural industries and capital expenditure	700	700
23. Debt interest (m)	400	400
24. Relative price effect and other adjustments	465	465
25. Contingency reserve	22,130	22,130

The provisional allocations for 1973-74 are set out in Table 22. The total of these allocations is £22,130 million, which is £22,130 million less than the total of the provisional allocations for 1972-73. This is because the contingency reserve has been reduced from £22,130 million in 1972-73 to £22,130 million in 1973-74. The contingency reserve is a reserve of funds which is available to meet any unforeseen extra expenditure. It is set aside at the end of each financial year. The total of the provisional allocations for 1973-74 is £22,130 million, which is £22,130 million less than the total of the provisional allocations for 1972-73. This is because the contingency reserve has been reduced from £22,130 million in 1972-73 to £22,130 million in 1973-74. The contingency reserve is a reserve of funds which is available to meet any unforeseen extra expenditure. It is set aside at the end of each financial year.

PUBLIC EXPENDITURE AND RECEIPTS BY PROGRAMME AND TYPE OF TRANSACTION: 1968-69
(provisional outturn)

TABLE 1.7

£ million

Expenditure positive/Receipts negative Corresponding line in Table 1.2	Resources			Transfers, taxation, etc.			Balance of resources, transfers, taxation, etc. (cols. 3 and 6)	Assets			Total balance (cols. 3, 6 and 10)	Public expenditure (cols. 3, 4 and 8)
	Gross expenditure	Charges	Net expenditure	Payments	Receipts	Balance of transfers, taxation, etc.		Net purchases	Net receipts	Balance of assets		
	(1) Line 1	(2) Line 2	(3) Line 3	(4) Line 9	(5) Line 9	(6) (i)		(7) Line 10 (i)	(8) Line 13	(9) Line 13		
<i>At 1969 Survey prices</i>												
1. Defence Budget	2,394	-113	2,281	1	—	1	2,282	10	—	10	2,292	2,292
2. Other military defence	145	1	146	—	-7	-7	139	—	—	—	139	146
3. Overseas aid (ii)	143	—	143	63	-59	4	147	—	—	—	147	206
4. Other overseas services	122	-1	121	7	-1	6	127	—	—	—	127	128
5. Technological services	179	-12	167	12	-6	6	173	11	—	11	184	190
6. Other assistance to employment and industry	78	-1	77	720	-112	608	685	60	—	60	745	857
7. Research Councils, etc.	91	-1	90	—	—	—	90	—	—	—	90	90
8. Agriculture, fisheries and forestry	127	-4	123	240	-1	239	362	-2	—	-2	360	361
9. Roads and public lighting	569	-11	558	—	-1	-1	557	52	—	52	609	610
10. Transport	75	—	75	171	-12	159	234	5	—	5	239	251
11. Housing	791	—	791	233	-147	86	877	71	—	71	948	1,095
12. Local environmental services	686	-34	652	—	-13	-13	639	41	—	41	680	693
13. Law and order	543	-4	539	14	—	14	553	5	—	5	558	558
14. Arts	16	—	16	—	—	—	16	—	—	—	16	16
15. Education	2,306	-102	2,204	—	-1	-1	2,203	28	—	28	2,231	2,232
16. Health and welfare	1,892	-107	1,785	—	-183	-183	1,602	5	—	5	1,607	1,790
17. Social security: (ii)												
(a) Insurance benefits	101	—	101	2,305	-1,923	382	483	—	—	—	483	2,406
(b) Other benefits	46	—	46	843	—	843	889	—	—	—	889	889
18. Financial administration	200	—	200	19	18	37	237	—	—	—	237	219
19. Common services	166	-1	165	—	-4	-4	161	-1	—	-1	160	164
20. Miscellaneous services	58	-5	53	1	-4	-3	50	3	—	3	53	57
21. Northern Ireland	227	-5	222	174	-59	115	337	7	—	7	344	403
22. Nationalised industries, etc., capital expenditure	1,480	—	1,480	2	-867	-865	615	28	—	28	643	1,510
23. Debt interest	302	—	302	1,749	—	1,749	2,051	—	—	—	2,051	2,051
24. Relative price effect and other adjustments	203	—	203	171	—	171	374	7	—	7	381	381
26. Taxes and other unallocated receipts	—	—	—	—	-14,863	-14,863	-14,863	—	-1,072	-1,072	-15,935	—
<i>At 1969-70 outturn prices</i>												
TOTAL	12,940	-400	12,540	6,725	-18,245	-11,520	1,020	330	-1,072	-742	278	19,595

(i) A minus sign against a figure in this column indicates a surplus of receipts over expenditure.

(ii) At outturn prices—see Appendix III, paragraphs 7, 9 and 15.

PUBLIC EXPENDITURE AND RECEIPTS BY PROGRAMME AND TYPE OF TRANSACTION: 1969-70

(estimate)

£ million

TABLE 1.8

Expenditure positive/Receipts negative	Resources			Transfers, taxation, etc.			Balance of resources, transfers, taxation, etc. (cols. 3 and 6)	Assets			Total balance (cols. 3, 6 and 10)	Public expenditure (cols. 3, 4 and 8)
	Gross expenditure	Charges	Net expenditure	Payments	Receipts	Balance of transfers, taxation, etc.		Net purchases	Net receipts	Balance of assets		
Corresponding line in Table 1.2	(1) Line 1	(2) Line 2	(3) Line 3	(4) Line 9	(5) Line 9	(6) (i)	(7) Line 10 (i)	(8) Line 13	(9) Line 13	(10) (i)	(11) Line 15 (i)	(12) Line 14
<i>At 1969 Survey prices</i>												
1. Defence Budget	2,364	-114	2,250	1	—	1	2,251	1	—	1	2,252	2,252
2. Other military defence	84	—	84	1	-12	-11	73	—	—	—	73	85
3. Overseas aid (ii)	163	—	163	61	-56	5	168	—	—	—	168	224
4. Other overseas services	123	-1	122	5	-1	4	126	—	—	—	126	127
5. Technological services	189	-14	175	15	-6	9	184	15	—	15	199	205
6. Other assistance to employment and industry	103	-1	102	773	-117	656	758	79	—	79	837	954
7. Research Councils, etc.	99	-1	98	—	—	—	98	—	—	—	98	98
8. Agriculture, fisheries and forestry	136	-3	133	287	-1	286	419	1	—	1	420	421
9. Roads and public lighting	587	-11	576	—	-2	-2	574	53	—	53	627	629
10. Transport	90	—	90	157	-11	146	236	-5	—	-5	231	242
11. Housing	768	—	768	270	-159	111	879	35	—	35	914	1,073
12. Local environmental services	735	-36	699	—	-9	-9	690	43	—	43	733	742
13. Law and order	578	-5	573	16	—	16	589	6	—	6	595	595
14. Arts	18	—	18	—	—	—	18	—	—	—	18	18
15. Education	2,384	-115	2,269	—	-1	-1	2,268	31	—	31	2,299	2,300
16. Health and welfare	1,977	-128	1,849	—	-181	-181	1,668	4	—	4	1,672	1,853
17. Social security: (ii)												
(a) Insurance benefits	110	—	110	2,461	-2,044	417	527	—	—	—	527	2,571
(b) Other benefits	48	—	48	926	—	926	974	—	—	—	974	974
18. Financial administration	207	—	207	18	15	33	240	—	—	—	240	225
19. Common services	188	-1	187	—	-4	-4	183	-1	—	-1	182	186
20. Miscellaneous services	60	-5	55	1	-4	-3	52	9	—	9	61	65
21. Northern Ireland	242	-4	238	177	-61	116	354	11	—	11	365	426
22. Nationalised industries, etc., capital expenditure	1,375	—	1,375	2	-92	-918	457	62	—	62	519	1,439
23. Debt interest	380	—	380	1,670	—	1,670	2,050	—	—	—	2,050	2,050
24. Price and other adjustments	303	—	303	—	—	—	303	—	—	—	303	303
25. Contingency reserve	—	—	—	—	—	—	—	—	—	—	—	—
26. Taxes and other unallocated receipts	—	—	—	—	-16,122	-16,122	-16,122	—	-903	-903	-17,025	—
<i>At 1969-70 outturn prices</i>												
TOTAL	13,311	-439	12,872	6,841	-19,696	-12,855	17	344	-903	-559	-542	20,057

(i) A minus sign against a figure in this column indicates a surplus of receipts over expenditure.

(ii) At outturn prices—see Appendix III, paragraphs 7, 9 and 15.

PUBLIC EXPENDITURE AND RECEIPTS BY PROGRAMME AND TYPE OF TRANSACTION: 1970-71

TABLE 1.9

(estimate)

£ million

Expenditure positive/Receipts negative	Resources			Transfers, taxation, etc.			Balance of resources, transfers, taxation, etc. (cols. 3 and 6)	Assets			Total balance (cols. 3, 6 and 10)	Public expenditure (cols. 3, 4 and 8)
	Gross expenditure	Charges	Net expenditure	Payments	Receipts	Balance of transfers, taxation, etc.		Net purchases	Net receipts	Balance of assets		
Corresponding line in Table 1.2	(1) Line 1	(2) Line 2	(3) Line 3	(4) Line 9	(5) Line 9	(6) (i)	(7) Line 10 (i)	(8) Line 13	(9) Line 13	(10) (i)	(11) Line 15 (i)	(12) Line 14
<i>At 1969 Survey prices</i>												
1. Defence Budget	2,303	-92	2,211	1	—	1	2,212	-1	—	-1	2,211	2,211
2. Other military defence	64	1	65	1	-11	-10	55	—	—	—	55	66
3. Overseas aid (ii)	178	—	178	56	-50	6	184	—	—	—	184	234
4. Other overseas services	116	-1	115	9	-5	4	119	—	—	—	119	124
5. Technological services	217	-13	204	12	-11	1	205	10	—	10	215	226
6. Other assistance to employment and industry	117	-1	116	739	-109	630	746	70	—	70	816	925
7. Research Councils, etc.	106	-1	105	—	—	—	105	—	—	—	105	105
8. Agriculture, fisheries and forestry	141	-4	137	295	-1	294	431	—	—	—	431	432
9. Roads and public lighting	645	-12	633	—	-1	-1	632	58	—	58	690	691
10. Transport	122	—	122	128	-9	119	241	-6	—	-6	235	244
11. Housing	739	—	739	312	-165	147	886	90	—	90	976	1,141
12. Local environmental services	757	-37	720	—	-4	-4	716	49	—	49	765	769
13. Law and order	617	-6	611	17	—	17	628	7	—	7	635	635
14. Arts	20	—	20	—	—	—	20	—	—	—	20	20
15. Education	2,477	-129	2,348	—	-2	-2	2,346	33	—	33	2,379	2,381
16. Health and welfare	2,048	-133	1,915	—	-181	-181	1,734	5	—	5	1,739	1,920
17. Social security: (ii)												
(a) Insurance benefits	113	—	113	2,652	-2,302	350	463	—	—	—	463	2,765
(b) Other benefits	48	—	48	925	—	925	973	—	—	—	973	973
18. Financial administration	203	—	203	17	21	38	241	—	—	—	241	220
19. Common services	208	-1	207	—	-4	-4	203	-2	—	-2	201	205
20. Miscellaneous services	67	-6	61	1	-4	-3	58	18	—	18	76	80
21. Northern Ireland	257	-3	254	177	-65	112	366	12	—	12	378	443
22. Nationalised industries, etc. capital expenditure	1,420	—	1,420	2	-928	-926	494	52	—	52	546	1,474
23. Debt interest	365	—	365	1,685	—	1,685	2,050	—	—	—	2,050	2,050
24. Relative price effect, and other adjustments	453	—	453	-107	—	-107	346	-1	—	-1	345	345
25. Contingency reserve	75	—	75	—	—	—	75	—	—	—	75	75
26. Taxes and other unallocated receipts	—	—	—	—	-16,517	-16,517	-16,517	—	-306	-306	-16,823	—
<i>At 1969-70 outturn prices</i>												
TOTAL	13,876	-438	13,438	6,922	-20,348	-13,426	12	394	-306	88	100	20,754

(i) A minus sign against a figure in this column indicates a surplus of receipts over expenditure.
(ii) At outturn prices—see Appendix III, paragraphs 7, 9 and 15.

PUBLIC EXPENDITURE AND RECEIPTS BY PROGRAMME AND TYPE OF TRANSACTION: 1971-72
(estimate)

TABLE 1.10

£ million

Expenditure positive/Receipts negative	Resources			Transfers, taxation, etc.			Balance of resources, transfers, taxation, etc. (cols. 3 and 6)	Assets			Total balance (cols. 3, 6 and 10)	Public expenditure (cols. 3, 4 and 8)
	Gross expenditure	Charges	Net expenditure	Payments	Receipts	Balance of transfers, taxation, etc.		Net purchases	Net receipts	Balance of assets		
Corresponding line in Table 1.2	(1) Line 1	(2) Line 2	(3) Line 3	(4) Line 9	(5) Line 9	(6) (i)	(7) Line 10 (i)	(8) Line 13	(9) Line 13	(10) (i)	(11) Line 15 (i)	(12) Line 14
<i>At 1969 Survey prices</i>												
1. Defence Budget	2,273	-112	2,161	1	—	1	2,162	-1	—	-1	2,161	2,161
2. Other military defence	26	1	27	1	-11	-10	17	—	—	—	17	28
3. Overseas aid (ii)	194	—	194	57	-51	6	200	—	—	—	200	251
4. Other overseas services	122	-2	120	5	-1	4	124	—	—	—	124	125
5. Technological services	203	-13	190	8	-15	-7	183	9	—	9	192	207
6. Other assistance to employment and industry	130	-1	129	762	-107	655	784	46	—	46	830	937
7. Research Councils, etc.	112	-1	111	—	—	—	111	—	—	—	111	111
8. Agriculture, fisheries and forestry	150	-4	146	295	-1	294	440	1	—	1	441	442
9. Roads and public lighting	708	-14	694	—	-1	-1	693	64	—	64	757	758
10. Transport	130	—	130	122	-9	113	243	-5	—	-5	238	247
11. Housing	811	—	811	339	-170	169	980	52	—	52	1,032	1,202
12. Local environmental services	787	-38	749	—	-3	-3	746	48	—	48	794	797
13. Law and order	653	-6	647	19	—	19	666	7	—	7	673	673
14. Arts	22	—	22	—	—	—	22	—	—	—	22	22
15. Education	2,601	-133	2,468	—	-2	-2	2,466	31	—	31	2,497	2,499
16. Health and welfare	2,132	-136	1,996	—	-181	-181	1,815	6	—	6	1,821	2,002
17. Social security: (ii)												
(a) Insurance benefits	123	—	123	2,712	-2,299	413	536	—	—	—	536	2,835
(b) Other benefits	49	—	49	936	—	936	985	—	—	—	985	985
18. Financial administration	196	—	196	16	16	32	228	—	—	—	228	212
19. Common services	226	-1	225	—	-4	-4	221	-2	—	-2	219	223
20. Miscellaneous services	80	-6	74	1	-4	-3	71	20	—	20	91	95
21. Northern Ireland	266	-3	263	177	-65	112	375	11	—	11	386	451
22. Nationalised industries, etc. capital expenditure	1,381	—	1,381	2	-968	-966	415	53	—	53	468	1,436
23. Debt interest	349	—	349	1,676	—	1,676	2,025	—	—	—	2,025	2,025
24. Relative price effect, and other adjustments	661	—	661	-141	—	-141	520	1	—	1	521	521
25. Contingency reserve	175	—	175	—	—	—	175	—	—	—	175	175
26. Taxes and other unallocated receipts	—	—	—	—	-17,139	-17,139	-17,139	—	-380	-380	-17,519	—
<i>At 1969-70 outturn prices</i>												
TOTAL	14,560	-469	14,091	6,988	-21,015	-14,027	64	341	-380	-39	25	21,420

(i) A minus sign against a figure in this column indicates a surplus of receipts over expenditure.

(ii) At outturn prices—see Appendix III, paragraphs 7, 9 and 15.

PART 2: THE INDIVIDUAL PROGRAMMES

Part 1 of this White Paper was concerned with the general prospect for public expenditure. This Part supplements the broad analysis with more detailed explanation relating to the individual programmes. A number of suggestions put forward by the Select Committee on Procedure in their recent Report have been taken into account.

DEFENCE BUDGET

TABLE 2.1

£ million
at 1969 Survey prices

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
Defence Budget	2,291.7	2,252.0	2,211.4	2,160.8

1. In the period up to 1972 defence expenditure is being reduced as a result of the policy changes which have been reported to Parliament in the annual Statements on Defence Estimates. The most important of these changes are the reduction of defence commitments East of Suez and the winding up of military bases in South East Asia and the Persian Gulf. The savings in defence expenditure which will be achieved in consequence will not attain their full extent until 1972-73, but the targets which have now been set for the earlier years—1970-71 and 1971-72—reflect continuous efforts to ensure that the new defence policy is carried out in the most efficient and economical manner possible. Thus it has been found possible to reduce expenditure at a quicker rate than was envisaged in January 1968 when the current policy was announced (Cmnd. 3515). In particular the target for the Defence Budget in 1970-71 is £76 million less than the estimate made in February 1969 (Cmnd. 3936). Detailed information about the Defence Budget for 1970-71 and developments in defence plans will be reported to Parliament in the 1970 Statement on Defence Estimates.

OTHER MILITARY DEFENCE

TABLE 2.2

£ million
at 1969 Survey prices

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
(a) Military aid	14.5	8.9	4.7	3.0
(b) Allied services	79.0	81.4	81.9	79.5
(c) United States military aircraft				
(i) Purchases	110.6	38.5	32.0	4.3
(ii) Repayments	-47.3	-43.1	-52.5	-54.7
(d) Other (i)	-10.5	-0.5	-0.6	-4.5
Total	146.3	85.2	65.5	27.6

(i) This includes provision for national accounting adjustments and certain minor items.

Military aid

1. This heading covers the provision of training courses in the United Kingdom for the service personnel of other countries, the provision of British service training teams on loan or secondment to developing countries (mainly members of the Commonwealth) and in some cases the cost of capital equipment, although this type of expenditure is being run down. A small amount of police training particularly in South East Asia is also included.

Allied services

2. Under this heading the main items are accommodation for headquarters staff, superannuation for civilian staff, stationery and recruitment publicity.

United States military aircraft

3. Delivery of these aircraft will be completed during 1969-70 but support costs and final settlements will extend through 1970-71 into 1971-72⁽¹⁾.

OVERSEAS AID

TABLE 2.3

£ million
at outturn prices (i)

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
(a) Aid programme	199.0	205.0	205.0	} 251.0
(b) Other overseas aid	9.5	21.9	30.1	
(c) Total Government expenditure on overseas aid	208.5	226.9	235.1	251.0
(d) Of which, aid which does not count towards the UNCTAD (ii) target	2.8	7.5	7.5	6.0
(e) Total Government expenditure on overseas aid counting to- wards the UNCTAD (ii) target (line(c) minus(d)) ..	205.7	219.4	227.6	245.0
(f) Other net investment by the Commonwealth Develop- ment Corporation (iii) ..	-2.5	-2.8	-1.2	—
(g) Total public expenditure on overseas aid (line (c) and line (f))	206.0	224.1	233.9	251.0

(i) See Appendix III, paragraphs 7 and 15.

(ii) United Nations Conference on Trade and Development—see paragraph 4 below.

(iii) Difference between Government loans to the CDC from the aid programme and the investment by the CDC.

⁽¹⁾ The treatment of the payments in respect of these aircraft is as follows:

(a) Progress payments in respect of the purchase and associated research and development costs are included in line c(i); they constitute the public expenditure cost as defined in the national accounts. The United States Credits from which they are financed are treated as receipts in the national accounts.

(b) Repayments of the Credits are charged to the Defence Budget when they occur; but since to include both these and the progress payments in the total of public expenditure would involve double counting, the former are offset by equal but negative entries in line c(ii). Similarly payments of interests on the Credits, which are charged to the Defence Budget and are also included within the overall total of debt interest, are offset by a negative entry in line c(ii).

1. Since 1967-68 there has been a basic aid programme of £205 million a year in cash terms (i.e. without adjustment for changes in money values) covering normal multilateral and bilateral aid and technical assistance. Some special items of aid expenditure have been undertaken separately in addition to this programme.

2. Within the basic programme multilateral aid consists of contributions to the International Development Association, the United Nations Development Programme and other institutions such as the United Nations Children's Fund, the World Food Programme and the Regional Development Banks for Asia, Africa and Latin America. Bilateral aid by way of grants and loans goes mainly to Commonwealth countries and takes a variety of forms including aid for development projects, assistance towards a general import programme, balance of payments support (sometimes including debt relief) and, for a few countries and on a declining scale, budgetary aid to maintain minimum services. Technical assistance is given to a great many developing countries in the form of skilled people to fill executive and advisory appointments, and also by way of consultancies and research and training in the United Kingdom and overseas. As opportunity offers Government policy is to increase the proportion of aid given multilaterally and in the form of technical assistance. For 1970-71 planned expenditure within the basic aid programme is as follows:—

Bilateral grants and loans	
<i>Commonwealth and Dependencies</i>	£102 million
<i>Foreign</i>	£12 million
Multilateral contributions	£30 million
Technical assistance	£40 million
Commonwealth Development Corporation	£11 million
Contingency reserve	£10 million

The figures shown above for the Commonwealth Development Corporation represent gross advances by the Ministry of Overseas Development. An adjustment, which may be positive or negative, is made (see line (f) in Table 2.3) to take account of the Corporation's net investment with other funds and thus to show the effect of its transactions as a whole on United Kingdom resources.

3. Of the special items additional to the basic aid programme the largest is the £75 million of economic aid to Singapore and Malaysia which is being provided over five years from 1968-69 to mitigate the effects of the United Kingdom military withdrawal. There is also provision for an extra £7 million annually for three years ending in 1971-72 towards the increased United Kingdom contribution to the Second Replenishment of the funds of the International Development Association, and three annual contributions of £6 million from 1968 under the Rome Food Aid Convention.

4. In 1968 the Government joined with the governments of other Western countries who provide aid in accepting a recommendation of the Second United Nations Conference on Trade and Development (UNCTAD) that developed countries should endeavour to reach a target of 1 per cent of gross national product at market prices for financial flows to developing countries comprising Governmental aid, private investment and guaranteed export credits, all net of capital repayments. No date for implementation was given

and the United Kingdom's acceptance of the recommendation was subject to balance of payments considerations. All of the present overseas aid expenditure counts towards the target except that part of the special aid to Singapore and Malaysia which may be used to purchase defence equipment.

5. The basic programme of £205 million a year and the additional items will continue in 1969-70 and 1970-71, producing total aid expenditure of £226.9 million and £235.1 million in cash terms in these years, of which £219.4 million and £227.6 million (gross) is expected to count towards the UNCTAD target. For 1971-72, in order to make a move towards that target, the Government have decided to increase gross aid expenditure counting towards it to £245 million in cash terms, and total aid expenditure accordingly to £251 million. From that year aid expenditure will be treated as one comprehensive programme, providing for all items of development assistance.

OTHER OVERSEAS SERVICES

TABLE 2.4

£ million
at 1969 Survey prices

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
Overseas representation	60.0	61.2	61.4	62.9
Overseas information	28.3	30.7	30.2	29.6
Other external relations	39.5	35.3	32.4	32.7
Total	127.8	127.2	124.0	125.2

1. The expenditure on "Other Overseas Services" shows no significant trend from 1969-70. Part of the expenditure is governed by international commitments and the Report of the Duncan Committee⁽²⁾, whose recommendations are under consideration by the Government, bears on the remainder.

Overseas representation

2. Almost all of this expenditure is required to meet the cost of the Diplomatic Service, its accommodation and associated expenses in representing British interests internationally.

Overseas information

3. This covers three main elements.

- (a) British Council expenditure to promote a wider knowledge of the United Kingdom and the English language abroad and to develop closer cultural relations between the United Kingdom and other countries. (Another part of the Council's expenditure is shown in Table 2.3, Overseas aid.)
- (b) The cost of the B.B.C.'s External Services and associated expenditure involved in broadcasting news and views to other countries; and
- (c) The cost of staff at posts overseas involved in political and commercial information work and of the supporting services of the Central Office of Information and the Stationery Office.

⁽²⁾ Report of the Review Committee on Overseas Representation 1968-69 (Cmnd. 4107)

Other external relations

4. This expenditure mainly comprises international commitments and subscriptions, including the United Kingdom's assessed contributions to the budgets of the United Nations Organisation and the Organisation for Economic Co-operation and Development.

TECHNOLOGICAL SERVICES

TABLE 2.5

£ million
at 1969 Survey prices

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
Category I:				
Technological support programme:				
Headquarters (civil)	5.6	6.0	6.1	6.1
Government research and development	67.4	71.0	70.9	66.8
Direct support for industrial technology	15.0	19.5	20.5	25.3
Total Category I	88.0	96.5	97.5	98.2
Category II:				
Other civil technology:				
Aircraft projects and assistance ..	83.2	87.6	79.0	65.3
Other	18.7	17.6	35.1	19.7
Allowance for new schemes ..	—	3.0	14.0	24.0
Total Category II	101.9	108.2	128.1	109.0
Grand Total	189.9	204.7	225.6	207.2

1. The Ministry of Technology's civil expenditure on technological services is divided into two categories for the control of expenditure:

Category I covers activities which by their nature are amenable to some flexibility in detailed financial management from year to year, and can thus be programmed ahead with reasonable assurance within an overall allocation of finance.

Category II covers major schemes of financial assistance to industry, and certain expenditure of the Atomic Energy Authority, which by their nature are not amenable to flexibility in financial management, and for which, subject to major changes in policy, finance has to be provided for the whole period of each project. Some general provision has also been made for new projects.

Government research and development

2. The industrial research establishments work for Government departments, for other public authorities and in support of industry. The total net expenditure of the multi-purpose establishments (the National Physical Laboratory, National Engineering Laboratory and Warren Spring Laboratory) is expected to remain at its present level. A small increase may be expected at the other, more specialised, establishments to meet growing demands upon

them. All the establishments are being encouraged to alter the balance of work in favour of those programmes which are directly related to specific needs in industry, particularly work on repayment. A proportion of the cost of the Ministry's aviation research and development establishments and of aerospace research in industry is allocated to this heading because of the value of this work to civil industry. Total net expenditure on civil research and development by the Atomic Energy Authority will gradually decline. Within this total, more work is being done at the Authority's establishments in support of non-nuclear industry. Within the nuclear field the main emphasis is now on the fast reactor.

Direct support for industrial technology

3. Increasing provision is planned for support of the engineering industries and for productivity and information services, which benefit a wide range of industries. The work of the National Research Development Corporation on the exploitation of inventions made in Government establishments and by the Research Councils, and in helping to finance research and development projects in industry, will be fully maintained. A ceiling has been placed on the total of grants to the industrial research associations; adjustments of annual grants to individual associations are being made within the total in accordance with the priority of their needs as grant agreements come up for reassessment.

Category II

4. The heading "Aircraft projects and assistance" covers expenditure on the development, proving and production of civil aircraft including the UK share of the Concorde project. The heading "Other" includes the UK contribution to international space programmes; assistance to the shipbuilding industry; other major industrial support schemes; capital expenditure on major reactor projects and trading and other expenditure of the Atomic Energy Authority. Whilst a demand for new schemes can be foreseen, the precise timing and scale of expenditure are uncertain.

OTHER ASSISTANCE TO EMPLOYMENT AND INDUSTRY

TABLE 2.6

£ million
at 1969 Survey prices

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
Assistance to persons				
Employment services	60.0	68.5	73.0	75.3
Redundancy Fund payments ..	52.0	41.3	37.1	37.1
Total	112.0	109.8	110.1	112.4
Promotion of local employment				
Gross	55.7	73.1	82.7	89.3
Loan repayments, rent and sales	-17.2	-18.4	-23.2	-26.2
Net	38.5	54.7	59.5	63.1
Industrial Reorganisation Corporation	34.0	46.0	34.0	18.0
Other specific grants and loans to industry (trade, exports, tourism, etc.)				
Gross	30.1	27.9	33.9	33.3
Repayments	-18.1	-7.4	-4.0	-0.5
Net	12.0	20.5	29.9	32.8
Investment Grants	448.4	530.0	520.0	554.0
S.E.T.—Additional payments ..	52.9	27.2	8.1	1.1
Regional employment premiums	103.1	104.1	105.3	105.3
Board of Trade and Ministry of Technology services	20.5	22.6	23.2	24.1
Assistance to the coal industry ..	29.9	31.8	27.8	18.8
Other	5.9	6.8	6.9	7.0
Grand total	857.2	953.5	924.8	936.6

Assistance to persons

1. Expenditure on employment services consists of the expenditure of the Department of Employment and Productivity and the expenditure of local authorities on services (including the youth employment service) for which the Department makes grants. The main elements are Departmental administrative costs (including employment exchanges, Government training centres and the factory inspectorate), and training and rehabilitation schemes, and services for the seriously disabled. Provision is made in the programme for the further development of the placing and advisory services, both for adults and young persons; a higher level of assistance towards industrial training, especially in development and intermediate areas; the continued expansion of Government training centres (to about 13,000 places by the end of 1972-73); and the introduction of an employment medical advisory service.

2. The estimates for the Redundancy Fund from 1969-70 onwards take into account the effect of the Redundancy Rebates Act 1969 in reducing the rebates payable to employers from the Fund.

Promotion of local employment

3. Expenditure on the promotion of local employment consists of loans and grants by the Ministry of Technology to firms which provide additional

employment in the development areas, and the cost of the building of factories and development of industrial estates by the Ministry of Technology itself. Gross expenditure in 1969-70 is expected to be £17.4 million higher than in 1968-69. The demand for loan finance and (to a smaller extent) the number of large projects going to the development areas have both increased. Expenditure will continue to rise, largely as a result of the Government's decisions on assistance to the intermediate areas, but the increase will be to some extent offset by increasing receipts from rents and sales.

Industrial Reorganisation Corporation

4. The functions of the Industrial Reorganisation Corporation (IRC) are to promote industrial reorganisation and development in the general interest of the economy. Its main sources of capital are loans from the National Loans Fund and Public Dividend Capital from a Vote of the Ministry of Technology; the Corporation pays interest on the former, and is to make periodic payments of dividend on the latter. The Corporation has made a first dividend payment of £750,000 gross for 1968-69.

5. Under the Industrial Reorganisation Corporation Act 1966, a limit of £150 million was set to the aggregate of the public funds available to the IRC. The nature of the IRC's operations, which include support for industrial mergers, the outcome of which depends on the course of commercial negotiations, makes it difficult to programme its expenditure in advance. In the longer run, the Corporation is expected to rely heavily on revolving its existing capital as a means of re-financing itself, but it will take some years to build up annual repayments.

6. For these reasons, the estimates in Table 2.6 of the annual phasing of lending by the IRC are tentative. They show the final £18 million of the £150 million made available by the Government under existing legislation as being lent in 1971-72. The Table does not anticipate future legislation by showing any lending in excess of the £150 million. But the Government intend to enable the IRC to maintain approximately its current level of operations beyond that date, and to introduce legislation in due course to increase the existing limit of £150 million. Decisions on the timing of the legislation, on the increase in the limit and on the phasing of drawings against the new limit will be taken nearer the time, in the light of the actual course of the IRC's financial operations. Any expenditure beyond the present £150 million ceiling will be a claim on the contingency reserve.

Other specific grants and loans to industry

7. This heading covers Board of Trade services on the promotion of trade and exports, including expenditure by the Tourist Boards set up under the Development of Tourism Act 1969; expenditure on the new hotel loans and grants scheme (which is expected to rise to a peak of about £8.5 million in 1971-72); grants to the British National Export Council; expenditure on trade fairs; and loans by the National Film Finance Corporation. It also includes loans of £31.1 million over the years 1969 to 1971 to the aluminium smelting companies, for which the Ministry of Technology is now responsible.

Investment grants

8. The figures for investment grants assume that payment in each year will be in respect of four quarters' investment expenditure, and that the

standard rate of grant will remain at 20 per cent, and the development area rate at 40 per cent. The figures take account of the latest evidence on the trend in capital investment by industry, the proportion of it that will be eligible for investment grant, and the proportion of it that will attract the higher development area rate of grant. Forecasts of this expenditure have been unavoidably uncertain as it depends not only on the way in which these factors develop, but also on the timing of applications for grant. It is now clear that substantial additional grant expenditure will be required in 1969-70, as compared with previous estimates, and the present figure for that year included in Table 2.6 allows for the further provision which, pending a final appraisal, will be proposed in a Winter Supplementary Estimate.

9. It is also clear that some of these factors will require a higher level of grant expenditure than had previously been forecast in 1970-71 and 1971-72 also. One factor in this revision of estimates is the experience gained as to the proportion of industrial investment which is eligible for grant at the national and Development Area rates of grant under the terms of the scheme. Another is the higher rate of growth in certain categories of capital expenditure. Allowance has now been made for these factors in the figures for 1970-71 and 1971-72, though the revised forecasts remain subject to variation.

10. While the growth in productive investment which the grant scheme was designed to stimulate is to be welcomed, this additional grant expenditure has entailed a substantial charge on the contingency reserve, which must militate strongly against further measures to increase or accelerate the flow of grant payments to industry in present circumstances. In the longer term account will have to be taken of current studies on the relative cost effectiveness of the scheme.

SET additional payments and regional employment premiums

11. The bulk of additional payments under the selective employment tax (SET) arrangements and regional employment premiums are paid by the Department of Employment and Productivity to qualifying private employers in the development areas. A relatively small amount is paid by other Departments to nationalised industries in respect of those parts of their undertakings which qualify in the development areas. SET additional payments are being abolished with effect from 1 April 1970 but because payment is made in arrears some provision is necessary in 1970-71 and, for belated claims, again in 1971-72. The regional employment premium will continue to be paid.

Board of Trade and Ministry of Technology services

12. The administrative expenses of the Board of Trade on their services to industry and trade, and those of the Ministry of Technology on investment grants, promotion of local employment and some other services, come under this heading.

Assistance to coal industry.

13. Under the Coal Industry Act 1967 measures to alleviate social hardship are due to end in March 1971, although some expenditure will spill over into 1972 and 1973. It was announced in the Queen's Speech that a Bill will be introduced to continue after March 1971 the Government's powers under the 1967 Act. The estimate of £18.8 million for 1971-72 in Table 2.6 takes account of this new commitment.

RESEARCH COUNCILS, ETC.

TABLE 2.7

£ million
at 1969 Survey prices

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
(a) Research Councils (other than Social Science) etc. ..	86.0	92.5	98.8	104.0
(b) Agricultural research, Scotland	2.4	2.7	3.0	3.3
(c) Social Science Research Council	1.6	2.4	3.3	4.0
Total	90.0	97.6	105.1	111.3

1. The Council for Scientific Policy advises the Secretary of State for Education and Science on the allocation of money for the "science budget" to the respective votes of the Agricultural, Medical, Natural Environment and Science Research Councils and for the British Museum (Natural History), for Grants and Services for Science and for the Documentation Processing Centre. The distribution is shown in the following table (excluding 1971-72, for which a breakdown cannot be given until a decision has been taken in the light of the advice of the Council for Scientific Policy on the proposals of the Research Councils etc. for that year):

TABLE 2.7a

£ million
at 1969 Survey prices

	1968-69 provisional outturn	1969-70 estimate	1970-71 allocation
Agricultural Research Council (ARC)	14.1	14.7	15.5
Medical Research Council (MRC)	16.1	17.1	18.5
Natural Environment Research Council (NERC)	9.7	11.7	13.0
Science Research Council (SRC)	43.5	45.8	47.9
Natural History Museum(i)	1.2	1.2	1.9
Science Grants and Services	1.3	1.5	} 2.0
Documentation Processing Centre	0.1	0.3	
Total	86.0	92.5(ii)	98.8

(i) Includes provision for major building.

(ii) Includes an unallocated price adjustment of £0.2 million for selective employment tax.

2. The Councils are responsible for encouraging and supporting fundamental and applied research in their own establishments, in units which they support at universities, and by bodies to which they make grants. They support university research by grants to research workers and by awards to post-graduates for research training and for advanced courses in science and technology. Grants for scientific purposes, including international fellowships, are given to the Royal Society and to the Royal Society, Edinburgh.

3. The science budget also covers subscriptions to international scientific bodies. In 1969-70 these amount to £12.2 million. The Science Research Council is responsible for United Kingdom contributions to the European Space

Research Organisation (ESRO), the European Organisation for Nuclear Research (CERN) and to the NATO Scientific Research and Training Programme; the Medical Research Council for the contribution to the International Agency for Research on Cancer; and the Department of Education and Science for that to the European Molecular Biology Conference.

4. The main fields of research covered by the Councils are plants, animals, food and agricultural engineering (ARC); biological, clinical and tropical medicine research (MRC); geology, hydrology, oceanography, marine biology, fisheries and conservation (NERC); astronomy, space and radio, nuclear physics, engineering, chemistry and sciences not covered by the other Councils (SRC). The Council for Scientific Policy and the individual Councils have encouraged research which brings economic benefit, though this is seldom immediate; for example, research relating to animals and crops; minerals; and polymers and enzymes.

5. Within the field of agricultural research a number of Institutes in Scotland are financed separately on Scottish votes although their programmes of research are co-ordinated with the Agricultural Research Council.

6. The Social Science Research Council, which receives its funds after direct negotiation with the Department of Education and Science, supports research in economic and social matters including management and industrial relations, statistics, psychology and social administration.

AGRICULTURE, FISHERIES AND FORESTRY

TABLE 2.8 £ million
at 1969 Survey prices

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
Agricultural support	263.7	317.0	326.0	327.0
Other assistance to agriculture ..	51.8	54.3	53.2	59.5
Fisheries	8.8	10.2	10.5	10.2
Forestry	36.5	39.2	42.5	45.1
Total	360.8	420.7	432.2	441.8

1. Table 2.8 above covers most of the expenditure of the Ministry of Agriculture, Fisheries and Food (MAFF) and the Department of Agriculture and Fisheries for Scotland (DAFS) along with that of the Forestry Commission and some minor items of other Departments and local authorities.

Agricultural support

2. This expenditure covers the implementation of the price guarantees, the provision of grants and subsidies to farmers, and the associated administrative costs. There are special difficulties about forecasting the future cost of agricultural support. The levels of the guarantees and subsidies will be affected by changes made at future Farm Price Reviews. But, even if there were no changes in guaranteed prices, the cost of implementing the guarantees would be liable to marked variations according to the levels of supply and of

market prices. The figures for agricultural support have therefore been prepared on the following conventional basis, and do not attempt to predict future variations.

3. The figures for 1969-70 correspond to the Estimates for the year as submitted to Parliament before the 1969 Price Review, adjusted to take account of the estimated effect of that Review in that financial year. The figures for 1970-71 and subsequent years take account of the estimated full-year effects of the 1969 Price Review but, in most other respects, project an unchanged figure for agricultural support. In practice, the cost of agricultural support may result in higher or lower expenditure than the figures in Table 2.8, depending on the factors described above.

Other assistance to agriculture

4. This includes the bulk of the remainder of the expenditure of MAFF and DAFS on agricultural and horticultural services, and administrative costs; it includes the advisory services. Here again, as with agricultural support, some expenditure has been estimated on a conventional basis with no attempt to predict future variations, e.g. stabilising payments to the bacon curing industry, animal disease compensation, payments under the Anglo-Irish Free Trade Agreement. The increase over the forecast period is due mainly to the development of policies under the Agriculture Act 1967 in respect of farm amalgamations and rural development policy, and to the modernisation of wholesale horticultural markets.

Fisheries

5. This estimate reflects the higher level of support for the industry authorised by the Sea Fisheries Act 1968. The amount of support provided from year to year cannot, however, be forecast with accuracy because it depends on operating results and in the case of the inshore fleet on decisions taken by Ministers in an annual review. As part of the Government's support policy for the industry provision has also been made for a higher level of expenditure on grants and loans for vessels and equipment.

Forestry

6. The estimate covers support for private and state forestry. The period will see an expansion in the Forestry Commission's planting programme, particularly in Scotland.

ROADS AND PUBLIC LIGHTING

TABLE 2.9

£ million
at 1969 Survey prices

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
New construction and improvements				
Major roads	302.2	342.0	377.5	415.3
Other roads	50.8	43.2	46.1	50.1
Other expenditure (including lighting)	18.1	21.2	25.9	29.5
Total	371.1	406.4	449.5	494.9
Maintenance				
Major roads	55.8	52.8	56.7	61.0
Other roads	105.4	98.0	106.3	116.1
Other expenditure (including lighting)	21.3	21.9	23.1	27.0
Total	182.5	172.7	186.1	204.1
Administration				
Central government administration	4.3	4.0	4.2	4.3
Local authority administration	36.0	29.1	33.5	36.7
Selective Employment Tax paid by local authorities	16.3	17.1	17.4	17.8
Grand total	610.2	629.3	690.7	757.8

1. Table 2.9 covers expenditure by the Government and by local authorities. Government wholly finance the construction, improvement, maintenance and lighting of trunk roads (motorways and all-purpose roads) and make specific grants (normally 75 per cent) towards the cost of constructing and improving principal roads. All other expenditure (including maintenance and lighting of principal and non-principal roads, as well as improvement of non-principal roads) is a local responsibility.

2. The number of vehicles using the roads continues to rise by about 5 per cent every year and it is estimated that by the end of 1971-72 nearly half the 5,400 miles of trunk roads will be very heavily loaded. Urban traffic is also steadily increasing. These factors call for an expanding programme of road expenditure.

3. Continuing improvements to routes which carry the bulk of the traffic and the relief of urban congestion are essential to promote the economic and social well-being not only of the individual regions but of the country as a whole.

4. The planning, design and construction of major road schemes can take seven years or more so that decisions on policy are of a long-term nature. Current land use and transportation studies will establish the framework for future public investment in urban road and traffic management schemes. The Green Paper "Roads for the Future," published in March 1969, with its new approach to inter-urban road planning, seeks to establish guidelines into the 1980s. Similarly, in Scotland and Wales future plans have been drawn up after

consultation with the interests affected, giving emphasis to the importance of roads in promoting regional development—see “The Scottish Economy, 1965-70” (Cmnd. 2864), “Scottish Roads in the 1970s” (Cmnd. 3953), and “Wales, The Way Ahead” (Cmnd. 3334).

5. Other expenditure includes provision for research and development which will reflect the expansion of work on road building and the greater emphasis being put on road traffic and transportation. More use will be made of extra-mural research contracts particularly with industry.

6. Local authority expenditure on improvement and maintenance of roads, lighting and car-parks is expected to rise slightly as a result of some relaxation of the restrictions imposed in 1968-69 and 1969-70. This expenditure is assisted through the rate support grant but is not directly subject to central control.

TRANSPORT

TABLE 2.10

£ million
at 1969 Survey prices

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
<i>Ministry of Transport, Scottish Development Department and Welsh Office:</i>				
Support to nationalised industries	145.0	119.6	86.9	79.4
Other surface transport				
Ports	31.1	36.1	40.3	40.2
Bus fuel grants	10.1	20.4	21.4	21.4
New bus grants	1.7	5.2	8.4	8.4
Rural bus and ferry grants	—	0.4	1.2	2.3
Infrastructure expenditure	5.5	8.3	12.2	24.6
Other passenger transport	12.0	13.6	29.1	24.3
Miscellaneous transport services	5.9	4.3	6.7	7.8
Departmental administration	10.1	11.2	11.4	11.8
Total	76.4	99.5	130.7	140.8
<i>Board of Trade:</i>				
Civil aviation services	23.2	25.8	30.4	31.3
Shipping services	6.1	-2.5	-4.4	-4.3
Grand total	250.7	242.4	243.6	247.2

1. Table 2.10 covers the main elements of Transport expenditure excluding expenditure on roads, which is covered in Table 2.9.

2. The largest element in the programme is grants to British Rail for the maintenance of unremunerative railway passenger services. However, expenditure of about £62 million in 1969 on these will be gradually reduced as measures are taken to increase operating efficiency and to close down some services which represent poor value for money. It is also expected that there will be some assumption of financial responsibility by local communities for services which they wish to maintain in their areas.

3. Another large element in Government support for British Rail is the grants which are being paid for a limited period as an incentive to the elimination by the Board of surplus track and signalling capacity. This surplus capacity cannot be eliminated overnight and a five-year programme has been agreed, now well under way, for its gradual disposal. Again, these grants will gradually taper away, from £15 million in 1969 to £5 million in 1973 after which they will cease.

4. A similar system of tapering grants has been instituted in respect of unprofitable activities which the National Freight Corporation (NFC) took over from British Rail relating to rail freight sundries. The Transport Act 1968 enables grants to be made to the NFC of up to £60 million in all towards their losses in this respect in the five years 1969 to 1973, and it is intended to run down the grants from the opening level of £17 million to a fraction of that amount in 1973, if the losses have not been eliminated by then.

5. The main element of the Transport programme outside the nationalised industries is port investment, which is put at about £40 million for each of the years 1970-71 and 1971-72, based on estimates provided by individual port authorities adjusted in the light of recent experience. In the longer term port investment will depend in the main on the policies of the proposed National Port Authority announced in the White Paper on the Re-organisation of the Ports (Cmnd. 3903). This Authority will control the major ports of the country which handle about nine-tenths of the seaborne trade of the United Kingdom, and will be responsible for reviewing the investment plans for these ports. But this is unlikely to affect the pattern of investment much before 1973-74.

6. The Government intend to continue their substantial support of bus operators through the rebate of bus fuel duty, estimated at about £21½ million in 1970-71 and 1971-72. In addition bus operators are expected to receive about £8½ million each year through the new bus grant scheme introduced by the Government. Local authorities who make grants for rural bus and ferry services will receive a 50 per cent contribution from the Government.

7. Other major expenditure on public transport will arise from the scheme introduced by the Government to allow grants to be paid to public authorities in respect of expenditure on infrastructure projects which assist the development of urban passenger transport facilities. Expenditure for this purpose is likely to rise from about £5½ million in 1968-69 to about £12 million in 1970-71 and to some £24½ million in 1971-72. The increase in these expenditures reflects a growing appreciation of the important rôle of public transport in producing practical and acceptable solutions to urban transport problems.

8. From 1 January 1970 onwards the figures for "other passenger transport" include expenditure by the Greater London Council on London Transport, which for earlier periods is included with the capital expenditure of the nationalised industries (Table 2.22).

9. Expenditure on road safety and research is increasing and giving a good return in social and economic terms. In particular road safety publicity and road user training is helping to maintain the improvement in road casualty figures which occurred towards the end of 1967.

10. Civil aviation and shipping services cover expenditure at aerodromes operated by the Board of Trade, on air navigation and miscellaneous services

provided by the Board, capital expenditure by local authorities at municipal aerodromes, Board of Trade expenditure on shipping services and net loans to the shipping industry.

HOUSING

TABLE 2.11

£ million
at 1969 Survey prices

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
Investment and improvements including grants to the private sector and mortgage lending (net)	862.2	802.7	828.3	862.4
Subsidies	232.7	270.0	312.8	339.4
Total	1,094.9	1,072.7	1,141.1	1,201.8

1. The figures in Table 2.11 are broken down into investment in new dwellings together with improvements and net mortgage lending on the one hand and subsidies on the other. The estimates of expenditure on housing investment in the public sector and improvement grants and mortgage advances to the private sector reflect action taken to increase or improve the housing stock both public and private. The figures for subsidies do not bear a similar relationship to work done in the years in question, though they are an essential feature of housing policies. These latter figures, as well as those for mortgage advances, are on an outturn price because of the problems which arise in adjusting them to constant prices. ⁽³⁾

Investment and improvements

2. The larger element in these figures represents the capital expenditure (mainly financed out of borrowing) on public sector housing by local authorities and new town corporations. It embraces new house building, the acquisition of slums for clearance or old houses for improvement, and improvements to the public sector housing stock. A smaller element consists of payments of improvement grants to the private sector.

3. There will be some shift of emphasis from new construction to the rehabilitation of older houses following the Housing Act of 1969. In England, the 135 priority authorities with the worst housing problems of over-crowding and slum clearance will continue to be allowed to build to capacity, and elsewhere priority will be given to the replacement of slums, overspill and housing for old people. In Scotland and Wales provision has been made to meet the continuing need for new houses to replace slums, to provide for economic growth, and to overcome local shortages and maldistribution of the existing housing stock.

4. The estimates also include the net cost (after taking account of repayments received by local authorities in discharge of previous loans) of mortgage lending by local authorities to private persons and housing associations. New advances by local authorities in 1969-70 will be at the £55 million level for England and Wales announced in July 1969 and the same figure has been

⁽³⁾ See Appendix III, paragraph 7.

included in the 1971-72 estimate; this item, however, can be varied more readily than others and the Government have already announced that the ceiling on new advances by local authorities in 1970-71 will be increased by £45 million: the figures take this into account.

Subsidies

5. The subsidy figures in these estimates comprise two elements. The first, and larger, represents subsidy payments by the central government to local authorities. These payments are made under a series of Acts, the most recent of which is the Housing Subsidies Act 1967. Under this Act (and the equivalent legislation in Scotland) subsidies are directed towards the cost of interest on loans raised by local authorities to finance approved building programmes and are designed to bridge the gap between a 4 per cent interest rate and representative actual rates of interest. The smaller element consists of contributions from the local authorities' General Rate Funds to lower the level of rents charged.

LOCAL ENVIRONMENTAL SERVICES

TABLE 2.12 £ million
at 1969 Survey prices

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
Capital expenditure:				
Public health and avoidance of pollution	214.2	221.3	232.3	251.3
Improvement of the environment and local facilities	101.8	107.5	108.1	109.0
New towns, industrial and com- mercial development, etc. ..	14.1	27.7	29.8	29.8
Total	330.1	356.5	370.2	390.1
Current expenditure:				
All services	363.1	385.0	398.5	406.7
Grand total	693.2	741.5	768.7	796.8

1. The heading 'local environmental services' covers a wide variety of services which are almost entirely the responsibility of local authorities. They can be divided broadly into the three groups shown under 'Capital expenditure' in the table above. In so far as capital expenditure by local authorities is financed by borrowing, it requires loan sanction from the central government.

2. The first group, which covers basic and essential services, is concerned with public health and the reduction or removal of pollution. It includes water supply, sewerage and refuse disposal, miscellaneous public health expenditure and clean air policy. The pressure for increased expenditure on these services is considerable. Industrial growth, increase in population and improved standards of living create an inescapable and rapidly rising demand for water, sewerage and refuse disposal. As the scale of these services increases, the technical problems also increase and they become more costly. For in-

stance, the rising demand for water involves getting supplies from less accessible sources. It also involves a higher standard of purification of the effluents discharged into rivers, which in turn means that the replacement of overloaded, out-dated and inefficient sewage purification plant becomes increasingly urgent. On refuse disposal, the growing shortage of convenient places for tipping requires increased expenditure on incinerators, plant and vehicles.

3. The second group comprises a variety of services for the improvement of the environment. It includes playing fields and swimming baths and other recreational areas such as country parks, as well as expenditure on town and country planning, which is primarily the redevelopment of central urban areas but also the reclamation of derelict land. The administrative costs of local authorities, expenditure on local authority offices and on computers also come in here. Despite the strong case for expenditure on this group of services, they are generally less urgently required than the first group, and expenditure on them is expected in total to be kept roughly level in order to allow room for the extra growth required for the first group.

4. The third group comprises direct expenditure by new town development corporations mainly on industrial and commercial development. Other public expenditure on new towns is grouped with the main programmes such as roads and housing (water and sewerage for new towns fall within the first group of local environmental services). The figures for this group show some growth as the work on the more recent of the new towns gathers momentum.

5. Similar considerations apply to current expenditure. The figures here are only an estimate of what local authorities in aggregate will spend and a detailed sub-division is not attempted.

LAW AND ORDER

TABLE 2.13

£ million
at 1969 Survey prices

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
Capital expenditure:				
Home Departments' services				
(i) Police	21.0	25.7	28.1	32.8
(ii) Prisons	9.0	10.5	12.5	17.2
(iii) Probation and after care	0.5	0.3	0.3	0.4
(iv) Child care	4.6	4.2	5.5	6.0
(v) Fire services	9.5	10.6	11.2	11.8
(vi) Other services	0.3	3.9	5.1	3.5
Total	44.9	55.2	62.7	71.7
Law Courts, etc.	6.3	4.9	6.9	8.4
Total (capital expenditure) ..	51.2	60.1	69.6	80.1
Current expenditure:				
Home Departments' services:				
(i) Police	258.4	274.2	289.3	304.6
(ii) Prisons	37.9	40.3	43.8	45.4
(iii) Probation and after care ..	9.8	11.4	12.1	12.9
(iv) Child care	54.9	60.0	63.4	66.9
(v) Fire services	57.2	57.3	58.4	60.5
(vi) Other services	3.3	5.9	8.1	9.7
(vii) Departmental administration	10.3	11.3	12.4	12.8
Total	431.8	460.4	487.5	512.8
Law Courts, etc.	35.0	34.8	36.1	38.3
Legal aid	12.6	12.7	13.3	14.0
Parliament and the Privy Council	6.5	6.8	6.9	7.0
Parliamentary election expenses	0.1	0.3	2.1	0.3
Selective employment tax paid by local authorities	21.0	19.5	19.8	20.2
Total (current expenditure) ..	507.0	534.5	565.7	592.6
Grand total	558.2	594.6	635.3	672.7

1. Most expenditure on law and order services is governed by social and demographic considerations such as the levels of crime and traffic, the number of prisoners, the needs of children in public care and the growth of fire risks and in the incidence of fires. The load which all these impose is increasing and, despite improvements in methods, organisation and equipment, calls for more expenditure, especially on staff in the services concerned. Most of the expenditure is incurred by local authorities; the central government contribute by way of the rate support grant, and for certain services (notably the police) by specific grants.

Police

2. The forecasts assume increases in police and civilian strengths (including traffic wardens).

Prisons

3. It is assumed that the prison population will continue to rise (from nearly 39,000 at the beginning of the period); that there will be a progressive

increase of staff to deal with the increased population and new establishments; and that capital provision will be made for new prison places to relieve overcrowding and to carry forward the long overdue modernisation of existing prison buildings.

Probation and after-care

4. The estimated increase in expenditure is mainly the result of an expected increase in the number of probation officers. Provision is also made for an annual increase in the number of places in voluntary after-care hostels.

Child care

5. Expenditure arising from the implementation of the Children and Young Persons Act 1969 will be first felt in 1970-71. Provision is made for increases in the number of children cared for, in staff, and in the costs of maintaining children in residential establishments.

Fire services

6. Provision is made for a moderate increase in the numbers of full-time firemen together with proportionate increases in supporting civilian staffs.

Law courts and legal aid

7. Expenditure is expected to rise because of the continuing increase in the work load of the courts and the extension of the fixed penalty system⁽⁴⁾. The forecasts for both civil and criminal legal aid assume that the number of cases in which legal aid is obtained will continue to rise.

Other services

8. Most of the increase in expenditure is attributable to the urban programme, a new programme of expenditure on community services in areas of special social need. This programme also provides the funds for the community development project, which is an experimental project to evaluate the social and community services in a limited number of deprived areas and to consider how to make these services more effective. Increases in expenditure also arise from the criminal injuries compensation scheme as a result of a continued rise which is expected in the number of applications.

9. Expenditure on the remaining services included under this heading, of which the Women's Royal Voluntary Service is the largest, is expected to remain about the same.

⁽⁴⁾ The projected expenditure on law courts includes no extra provision for the implementation of the Report of the Royal Commission on Assizes and Quarter Sessions.

ARTS

TABLE 2.14

£ million
at 1969 Survey prices

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
National Museums, Galleries and Libraries(i)				
Staff, administration, etc. ..	6.3	7.1	8.0	8.4
Annual purchase grants (ii) ..	0.8	1.0	1.0	1.0
Total (iii) ..	7.1	8.1	9.0	9.4
The Other Arts				
Arts Council, British Film Insti- tute and other grants (iv) ..	8.4	8.8	9.7	10.7
National Theatre, South Bank ..	0.1	0.9	1.4	1.8
Total	8.5	9.7	11.1	12.5
Grand Total ..	15.6	17.8	20.1	21.9

(i) This includes the National Central Library and excludes the British Museum (Natural History) and Geological Museum which are included in Table 2.7.

(ii) These figures are currently under review.

(iii) Expenditure relating to England and Scotland on new buildings, maintenance and running expenses, stationery, superannuation etc. is included under the heading Common Services in Table 2.19.

(iv) This includes grants to the British Institute of Recorded Sound, the Royal Geographical Society, the Scottish Film Council, the Royal Scottish Geographical Society and assistance to local museums in carrying out co-operative schemes.

1. The expenditure on the arts, rising from £15.6 million in 1968-69 to £21.9 million in 1971-72, which is shown in this table, excludes expenditure by local authorities but includes the contribution of the Greater London Council to the National Theatre referred to below.

2. The expenditure on the national museums, galleries and libraries allows for the maintenance of and additions to the collections.

3. The grant to the Arts Council, which includes provision for the Scottish and Welsh Arts Councils, has trebled between 1963-64 and 1969-70, thus carrying out the Government's declared policies⁽⁵⁾ of sustaining the best in the arts and of making the arts more widely available.

4. The National Theatre Act 1969 raised to £3.75 million the Government contribution towards the building of the National Theatre, on which work has started. This will be matched by a similar contribution from the Greater London Council, which has also provided the site. The figures in the table show the expected joint expenditure on the project during the period to 1971-72.

⁽⁵⁾ See "A policy for the Arts—The First Steps", Cmnd. 2601, February, 1965.

EDUCATION

TABLE 2.15

£ million
at 1969 Survey prices

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
Capital expenditure				
Schools	195.4	203.5	218.4	248.8
Further education	51.2	53.1	55.6	59.6
Teacher training	10.0	9.4	8.2	9.1
Universities	79.5	72.6	73.6	75.2
Youth service and sport	8.2	8.4	9.5	10.4
Local libraries	6.3	6.7	7.2	8.0
Total (capital .. expenditure)	350.6	353.7	372.5	411.1
Current expenditure				
Schools:				
Primary	421.6	435.6	445.6	465.1
Secondary	471.4	486.7	503.6	525.5
Other	121.5	126.6	131.0	133.3
Further education (i)	225.2	236.8	247.2	253.9
Teacher training (i)	89.0	101.0	105.2	108.5
Universities (i)	231.8	233.9	248.4	264.1
Youth service and sport	20.2	20.1	21.3	22.4
Meals and milk (ii)	98.5	97.8	92.0	93.4
Other education	5.6	5.1	4.7	5.9
Administration	69.4	71.5	74.1	76.6
Local libraries	47.4	51.5	54.0	56.2
Selective employment tax paid by local authorities	80.0	79.9	81.3	82.8
Total (current .. expenditure)	1,881.6	1,946.5	2,008.4	2,087.7
Grand total	2,232.2	2,300.2	2,380.9	2,498.8

(i) These items include expenditure on grants to students, forecast at over £120 million in 1971-72.

(ii) Despite rising numbers expenditure is expected to fall between 1968-69 and 1971-72 because of the increase of 3d. in the charge for school meals from April 1970.

1. Table 2.15 above shows details of expenditure on education and local library services in the period 1968-69 to 1971-72. In 1968-69 this expenditure was over £2,200 million—equivalent to more than 6 per cent of the size of the gross national product—and local authorities, with the help of rate support grant, spent more than 80 per cent of it. These services employ well over one million people, half of them teachers.

2. This expenditure covers the complete range of provision from nursery education to computers for university research. The main determinant of the growth in expenditure is the increase in numbers of pupils and students at every level. Between 1968-69 and 1971-72 total numbers in schools will rise by about 7 per cent—in primary schools by 6 per cent from 5.34 million to 5.66 million and in secondary schools by over 9 per cent from 3.33 million to 3.63 million. Expenditure incurred to meet these increases needs to be planned well in advance; major decisions on educational expenditure generally have their main effect on the education service in the period roughly four to eight years later.

3. There will be a further large increase in numbers in secondary schools from the beginning of 1973 following the raising of the school leaving age. The Government has authorised new building work worth £120 million for this purpose. This and other capital expenditure on secondary schools will help reorganisation on comprehensive lines.

4. Numbers of students (full-time equivalents) in further and higher education as a whole, which embraces the range from part-time day release courses to work at postgraduate level, are expected to rise by over 10 per cent between 1968-69 and 1971-72. Universities and colleges of education and further education will continue to expand accordingly. Between 1967 and 1971 the proportion of the age-group entering full-time and sandwich courses in higher education is expected to rise from 14 per cent to about 20 per cent. This expansion and the corresponding contribution from part-time students will increase the flow of highly qualified manpower to the economy.

5. To maintain standards of provision for rising numbers current expenditure on schools must rise over the period to 1971-72 by about 8 per cent and on post-school education by rather more than 10 per cent. Table 2.15 shows that current expenditure on primary and secondary schools is expected to rise by 11 per cent and on further and higher education by 15 per cent. Some margin of expenditure is therefore available for the improvement of standards.

6. In the schools, the number of qualified teachers available is expected to rise by 12 per cent between 1968-69 and 1971-72, nearly twice the rate of increase expected in the number of pupils. This will make possible a continued reduction in the number of over-large classes, especially in primary schools, a major objective of education policy. Resources will also continue to be made available for the replacement of some old school and university buildings and to improve facilities in colleges of education and further education, particularly at the polytechnics.

7. The range of the education services will be widened when the Open University's first courses begin in January 1971. Nursery education in socially deprived areas will benefit under the Urban Programme⁽⁶⁾, and there will be a steady growth in expenditure on sport, the youth service, adult education and public libraries.

⁽⁶⁾ See Section 2.13, paragraph 8.

HEALTH AND WELFARE

TABLE 2.16

£ million
at 1969 Survey prices

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
Capital expenditure				
Hospitals	121.7	127.8	135.5	151.9
Family practitioner services ..	0.4	0.4	0.7	0.1
Community health and welfare services	35.1	35.4	34.1	41.7
Other central services and grants, departmental administration..	3.9	4.2	4.3	4.9
Total (capital expenditure) ..	161.1	167.8	174.6	198.6
Current expenditure				
Hospitals	937.3	975.2	1,011.3	1,048.1
Family practitioner services ..	398.3	403.6	413.4	424.7
Community health and welfare services	206.7	220.6	232.3	240.9
Welfare foods	40.3	39.4	38.7	39.1
Other central services and grants, departmental administration ..	29.8	29.5	32.0	32.9
Selective employment tax paid by local authorities	16.9	17.3	17.7	18.0
Total (current expenditure) ..	1,629.3	1,685.6	1,745.4	1,803.7
Grand total	1,790.4	1,853.4	1,920.0	2,002.3

1. About 60 per cent of this expenditure is on hospitals, 22 per cent on general practitioner services, 14 per cent on community health and welfare services and 4 per cent on welfare foods and other services. This pattern will broadly continue over the next five years. Expenditure at constant prices on the service as a whole is planned to increase by about 3.5 per cent in 1970-71 over 1969-70 and 4.3 per cent in 1971-72 over 1970-71.

Hospital capital expenditure

2. Progress in replacing and modernising hospital buildings will continue on the lines set out in the Hospital Building Programme (England and Wales) (Cmnd. 3000) and the Review of the Hospital Plan for Scotland (Cmnd. 2877). The programme is intended not only to match the movement and increase in population but also to tackle progressively the problem of obsolescence; the total number of beds available will not significantly increase. Expenditure covers a wide range of schemes from small projects affecting parts of hospitals, completed in a few weeks, to new hospitals, taking several years to plan, build and bring into use. Maximum value for money is sought through control of costs and the setting of standards. Work on the introduction of industrialised building techniques and the use of standard designs is being developed.

Hospital running costs

3. It is expected that the numbers of in-patients treated will continue to increase at a rate of about 3 per cent per annum during the period, but

that this can be met without increase in the number of beds by improvements in efficiency. The cost of the hospital services will continue to rise with the increasing use of drugs and supporting services such as pathology and X-rays, the use of new forms of treatment, the provision of improved facilities, and the need to devote more resources to hitherto deprived classes of patients, particularly the mentally handicapped. The cost of staff represents about 70 per cent of the total expenditure on running hospitals, and increased automation and improved training and deployment will enable them to be used to the best advantage. The numbers of highly trained and senior staff to run the service are largely determined by decisions taken years before, and the training arrangements will be directed to ensuring that the numbers and quality of staff required in the late 1970s and the 1980s are available. These aims can be achieved only through continuing attention to savings which can be made by increasing productivity, economy in the use of resources and by improved efficiency in organisation, management, and the deployment of services.

Family practitioner services

4. This heading covers general practitioner, pharmaceutical, dental and ophthalmic services provided under the National Health Service. Expenditure is largely determined by the demand for treatment and the developing capacity to meet it. Increased provision reflects small increases in the number of doctors and dentists, improvements in their practice arrangements which enable more and better treatment to be given, and the tendency for prescription numbers to increase and for more effective, and usually dearer, drugs to be developed.⁽⁷⁾

Community health and welfare services

5. It is expected that the main growth points in these local authority services will be the building of health centres, which an increasing number of general practitioners are using, and the development of those services which particularly meet the needs of the mentally disordered, the elderly and the handicapped. About half the capital expenditure under this heading will continue to go to providing homes for the elderly.

⁽⁷⁾ The dental and ophthalmic services would have cost more but for increased charges for dentures and lenses introduced in August 1969.

SOCIAL SECURITY

TABLE 2.17

£ million
at outturn prices (i)

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
National insurance:				
Retirement pensions	1,543.3	1,635.0	1,785.0	1,833.0
Sickness benefit	348.4	381.0	418.0	428.0
Unemployment benefit	123.3	134.0	124.0	124.0
Other national insurance benefits	203.0	221.0	230.0	231.0
Industrial Injuries payments ..	103.6	107.0	113.0	114.0
War pensions	124.8	125.5	130.6	126.3
Supplementary benefits	428.9	467.0	457.0	466.0
Family allowances	297.1	342.0	346.0	352.0
Administration	122.7	132.9	134.6	145.8
Total	3,295.1	3,545.4	3,738.2	3,820.1

(i) See Appendix III, paragraphs 7, 9 and 15.

1. The schemes of social security cash benefits make up the largest of the public expenditure programmes. National insurance benefits (principally retirement pensions) account for over two-thirds of total expenditure on these schemes. The non-contributory schemes, financed wholly from general taxation and consisting of war pensions, supplementary benefits and family allowances, make up the balance apart from administration.

2. Table 2.17 above shows, on the basis of existing benefit levels, the estimated distribution of expenditure between the various benefits up to 1971-72, compared with how it was distributed in 1968-69.

Demographic factors

3. At present there are 7.1 million retirement pensioners; by the end of 1972, because of increasing numbers of old people, with a larger proportion entitled to pension, and because of a continuing trend towards earlier retirement, as well as lighter mortality, there are expected to be 7.6 million. At present there are 6.9 million children for whom family allowances are payable; by 1972 it is expected that there will be 7.3 million. In the field of short-term benefits, allowance has had to be made for an underlying upward trend in sickness benefit claims. For all these reasons there would, as Table 2.17 illustrates, be a substantial increase in the future cost of social security benefits even apart from changes in the levels of benefit.

Increases and improvements

4. The Government's policy is to maintain the value of contributory benefits and to do everything possible to ensure that pensioners and other beneficiaries should continue to share in the nation's rising living standards. It is not however practicable to forecast the exact date and amount of future benefit increases, which have to be settled in the light of the circumstances at the time. The forecasts of social security expenditure in Table 2.17, while taking full account of all the known demographic factors and of the

new earnings-related scheme⁽⁸⁾, are therefore purely illustrative so far as levels of benefit are concerned. They indicate how costs would rise even at existing levels of benefit, and do not of course imply that benefits will stay at the same level during the period under review.

5. Unlike the other major public expenditure programmes a decision to change the levels of social security benefit (as distinct from the fundamental structure of the scheme) need only be taken a few months before the new rate is payable. The rates can therefore be adjusted to take account of the growth in national income and the developing needs of the community. But increased expenditure on social security benefits has to be met by higher insurance contributions and taxation raised from the nation as a whole. The extent to which it will be possible to make further real improvements in the level of benefits, over and above expenditure required to take account of price movements⁽⁹⁾, therefore depends on the rate of growth of the national wealth; and such improvements represent an important potential call on the Contingency Reserve.

National Superannuation

6. The target for the introduction of the new earnings related scheme is April 1972.

FINANCIAL ADMINISTRATION

TABLE 2.18

£ million
at 1969 Survey prices

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
Tax and rate collection	167.5	168.6	171.1	173.3
Royal Mint (including decimalisa- tion, etc.)	8.8	15.9	10.4	1.4
Other financial administration, etc.	23.8	22.1	21.6	21.2
Post-war credits	18.8	18.0	17.0	16.0
Total	218.9	224.6	220.1	211.9

1. The estimates for tax and rate collection assume a continuation of existing policies and make no provision for additional fiscal measures. More than half of the total is for the Inland Revenue, with smaller sums for Customs and Excise, the Ministry of Transport and local authorities. The increases are mainly in respect of the estimated growth of existing work, and the progress of automation, which will eventually yield savings. The estimates for the Royal Mint provide for a new Mint at Llantrisant, which will eventually replace the Tower Hill Mint. In addition, the forecasts from 1969-70 to 1971-72 include a sum of the order of £17 million for the production of the new decimal coins. "Other financial administration, etc." includes the expenses of the Treasury, and of the Department for National Savings in administering the National Savings Bank, National Savings Certificates and Premium Bonds.

⁽⁸⁾ See "National Superannuation and Social Insurance" (Cmnd. 3883).

⁽⁹⁾ See Appendix III, paragraph 9.

COMMON SERVICES

TABLE 2.19

£ million
at 1969 Survey prices

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
(a) Accommodation (Home):				
(i) Capital expenditure ..	22.1	26.6	32.9	39.1
(ii) General maintenance and running costs	68.1	77.0	83.8	85.1
(iii) Rates on government pro- perty	37.0	38.7	39.2	39.7
Total	127.2	142.3	155.9	163.9
(b) Stationery Office (Home):				
(i) Capital expenditure ..	11.5	14.4	20.1	24.6
(ii) Supply of stationery, print- ing, etc.	24.9	26.9	28.7	30.9
(iii) Repayments in respect of computer purchases ..	-3.1	-4.6	-8.6	-11.6
Total	33.3	36.7	40.2	43.9
(c) Home publicity services ..	6.7	8.6	10.2	10.0
(d) Social Survey	1.0	1.0	1.0	1.1
(e) Superannuation	74.9	79.2	79.9	83.7
Grand total	243.1	267.8	287.2	302.6
Less:				
(f) Allied services (defence) (see Table 2.2)	-79.0	-81.4	-81.9	-79.5
Grand total net of (f)	164.1	186.4	205.3	223.1

Accommodation (Home)

1. This covers expenditure by the Ministry of Public Building and Works on accommodation occupied by Government Departments and expenditure on rates (including contributions in lieu of rates) on Government property. The largest part of the MPBW expenditure relates to office buildings, with smaller provisions for Government training centres, scientific and research buildings and building research and development work, museums and galleries and miscellaneous buildings such as the Royal Mint and the Stationery Office.

2. Three quarters of the total relates to current expenditure, including rents, rates, maintenance, running costs of Government buildings and also staff costs. As regards the rest, of the £39.1 million forecast for 1971-72 new buildings account for £34.7 million. The increase in capital expenditure is largely attributable to an increase in expenditure on new building work, mainly for computer centres and other office buildings. A considerable number of computer centre projects is in hand. A programme to build nine regional computer centres for the Inland Revenue was announced recently. Besides providing a more efficient service this programme is expected to save eventually about 6,000 staff. Expenditure on other offices provides for schemes to carry out the Government's policy of dispersing staff from London, to house additional staff and to replace accommodation which is sub-standard or uneconomic.

Stationery Office (Home)

3. The figures show expenditure by the Stationery Office to meet the requirements of Government Departments, together with the Stationery Office's administrative and other costs. The estimate of capital expenditure is based on known projects, and consists largely of provision for computers and other office machinery for Government Departments. A deduction is shown for those computers which are purchased by the Stationery Office on repayment by other Departments.

Home publicity services

4. This heading covers Central Office of Information home expenditure and related Stationery Office expenditure which taken together reflect the publicity needs of Government Departments. Provision of £10.2 million in 1970-71 allows for the publicity programme for decimalisation.

Social Survey

5. Provision is made for surveys carried out as an allied service to Government Departments.

Allied services (defence)

6. A total sum is offset for allied services (defence) which appears in Table 2.2 ("Other military defence"), line b.

MISCELLANEOUS SERVICES

TABLE 2.20

£ million
at 1969 Survey prices

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
(a) Records, registrations and surveys	20.0	21.4	22.1	29.4
(b) Meteorological services ..	6.5	7.3	7.7	11.6
(c) Civil defence	7.1	3.7	8.1	8.0
(d) Land Commission (Land Acquisition and Management Fund)	4.4	11.1	20.0	22.0
(e) Royal Parks, historic buildings and ancient monuments(i) ..	2.9	3.6	3.9	4.1
(f) Other miscellaneous services ..	15.9	18.2	18.1	19.7
Total	56.8	65.3	79.9	94.8

(i) Provision for grants to owners of historic buildings and for contributions to the Redundant Churches Fund is included at outturn prices, see Appendix III, paragraph 7.

Records, registrations and surveys

1. This includes voted expenditure by the Land Registry, the Ordnance Survey and other minor Departments, and includes provision of £6.4 million in 1971-72 for the cost of the Census. Expenditure by local authorities is estimated at about £7 million per annum.

Meteorological services

2. The estimates include the United Kingdom's contributions to the international World Weather Watch programme. Provision has been made in 1971-72 for the purchase of a large computer, costing about £4 million.

Civil defence

3. This is based on the continuation of the policy of care and maintenance; the expenditure shown for 1969-70 is lower than in the other years because it takes account of receipts from sales of certain stocks.

Land Commission (Land Acquisition and Management Fund)

4. The figures provide for substantial acquisition of land where it is needed to relieve serious housing problems.

Royal parks, historic buildings and ancient monuments

5. These figures cover expenditure by the Ministry of Public Building and Works on the maintenance of Royal Parks and ancient monuments and expenditure by the Ministry of Housing and Local Government and the Secretaries of State for Scotland and Wales on grants to owners of historic buildings.

Other miscellaneous services

6. This includes expenditure by the Civil Service Department, the Cabinet Office, the National Economic Development Council, the Commission on Industrial Relations and the National Board for Prices and Incomes; the salaries and administrative costs of the Ministry of Posts and Telecommunications; War Damage payments; the Civil List; and annuities and pensions.

NORTHERN IRELAND

TABLE 2.21

£ million
at 1969 Survey prices

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
Northern Ireland	403.4	426.0	443.0	450.7

1. The public expenditure estimates for Northern Ireland which are shown in Table 2.21 above have been prepared by the Northern Ireland Departments. The Northern Ireland Government is responsible for the administration of these services and the expenditure is not subject to detailed control from Westminster. The bulk of the expenditure is met from Northern Ireland's assigned share of United Kingdom taxation, but this revenue is supplemented in particular cases under agreed arrangements. The level of expenditure on these services is in general determined on the basis of parity of services between Northern Ireland and Great Britain. However, expenditure on assistance to industry and employment is related to the level of unemployment in Northern Ireland, which has been persistently much higher than in the development areas of Great Britain.

2. The figures in table 2.21 represent public expenditure for which the Northern Ireland Government is responsible, and do not therefore include expenditure on such items as defence and most agricultural support, which is contained in the relevant United Kingdom programmes. The figures include the increase in public expenditure in Northern Ireland announced in the Communique issued following discussions between the Home Secretary and the Northern Ireland Government (Cmd. 4178).

CAPITAL EXPENDITURE BY NATIONALISED INDUSTRIES, ETC.

TABLE 2.22 £ million
at 1969 Survey prices

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
<i>Expenditure on fixed assets</i>				
Post Office	367.8	403.1	468.6	497.7
National Coal Board	58.0	63.0	61.0	60.0
Electricity Council and Boards	500.0	436.5	370.0	335.0
North of Scotland Hydro-Electric Board	7.9	8.7	14.5	13.1
South of Scotland Electricity Board	61.9	61.7	64.0	55.4
Gas Council and Boards	228.5	233.1	233.0	201.8
British Steel Corporation	69.0	105.0	135.0	180.0
British Overseas Airways Corporation	40.4	51.1	84.5	70.7
British European Airways	52.8	23.0	43.0	47.8
British Airports Authority	12.1	11.8	12.7	13.3
British Railways Board	84.0	75.0	77.0	80.5
London Transport Board	30.7	16.1	—	—
British Transport Docks Board	15.8	18.7	13.7	11.6
British Waterways Board	0.9	1.1	1.1	1.1
Transport Holding Company	20.6	0.5	0.9	1.2
National Freight Corporation	1.8	32.5	28.6	23.7
National Bus Company	2.3	13.5	15.8	15.2
Scottish Transport Group	1.5	4.1	3.7	3.6
Total expenditure on fixed assets by nationalised industries	1,556.0	1,558.5	1,627.1	1,611.7
Shortfall	—	—100.0	—125.0	—150.0
BBC, ITA, Covent Garden Market Authority	14.8	20.6	19.9	21.6
Total expenditure on fixed assets	1,570.8	1,479.1	1,522.0	1,483.3
Sales of fixed assets	—43.8	—36.0	—31.7	—27.1
Statistical adjustments(i)	—11.5	—12.9	—12.5	—21.2
Total gross domestic fixed capital formation	1,515.5	1,430.2	1,477.8	1,435.0
Other capital expenditure	—5.5	8.4	—3.9	1.4
Total	1,510.0	1,438.6	1,473.9	1,436.4

(i) Deduction of certain central government capital grants to nationalised industries, and of Post Office repayment services (included in local authorities capital expenditure), to avoid double-counting.

1. The capital expenditure of the nationalised industries has been rising in the past decade and is expected to continue at much the present level from 1969-70 to 1971-72. An upward trend is expected again thereafter. This

overall pattern is the net result of a number of changes in the main programmes.

Telecommunications

2. Demand for telecommunications both inland and overseas, requires a high and rising level of investment throughout the period. The main objective will continue to be the improvement of the quality of service. In addition to the growth of traffic and the connection of new customers, the capital programme caters for further modernisation, the expansion of the data transmission service and measures to aid productivity. The estimates include provision for converting the few remaining manual telephone exchanges to automatic working and extending subscriber trunk dialling (STD) to all customers.

Fuel

3. Investment by the fuel industries is expected to decline until 1972-73. Within this pattern the National Coal Board's investment is likely to remain at about present levels (subject to the development of its participation in oil and gas exploration).

4. Electricity investment consists of a fairly steady rate of expenditure on the distribution system and a variable element of expenditure on generation and transmission. The latter is likely to go on falling until about 1972, while demand for electricity in England and Wales moves into balance with the plant expected to be available. The forecasts allow for ordering two new power stations in 1970—Heysham in England and one in the West of Scotland. The Government have recently approved the inclusion of stations at Drax, Sizewell, and the Isle of Grain, in the Central Electricity Generating Board's longer term programme. The case for starting a second station in England in 1970 will be reviewed early next year. The timing of later orders will be considered subsequently in the light of the demand forecasts and other relevant factors.

5. The gas industry's expenditure is directed to the rapid introduction of natural gas through the establishment of a pipeline system for transmission of the gas and the conversion of consumers' equipment to use it: expenditure is expected to reach a peak in 1970-71 and to fall away gradually thereafter.

Steel

6. The British Steel Corporation's investment plans for the long term are still tentative and the estimates shown in Table 2.22 are preliminary figures. Some increase from the present level of expenditure seems likely in the next few years.

Transport

7. The re-equipment of the two state airlines is forecast to result in BEA's expenditure reaching a peak in 1971-72, and BOAC's running at a high level from 1970-71 onwards and rising to a peak at the end of the period.

8. The investment of the other parts of the nationalised transport sector will probably continue at a steady level throughout the period. The proposed nationalisation of much of the ports industry will in due course have the effect

of including the investment of the major ports in the figures for the nationalised industries sector, but this will not of course add to the total real demand on resources.

9. Of the other major transport undertakings, the National Freight Corporation will direct much of its investment to replacing vehicles but some also to making profitable use of opportunities as they arise. The National Bus Company is also concerned mainly with vehicle programmes, with their buses needing replacement at a fairly even rate. Much of the annual investment of the Scottish Transport Group also is devoted to replacing buses, but in addition they have a steady programme of expenditure on new ships to modernise the fleets serving the Clyde and the Western Islands of Scotland.

10. The future course of British Rail's investment will depend on the development of the Board's corporate planning; in the meantime it is assumed that railway investment will continue at about the same rate as for the last few years.

Shortfall

11. For the nationalised industries as a whole, experience shows that capital expenditure in the aggregate tends to fall short of the approved figure. For the purpose of forecasting total investment by nationalised industries, therefore, reductions (shown as "shortfall") of £100 million in 1969-70, £125 million in 1970-71 and £150 million in 1971-72 have been made from the aggregate expenditure on fixed assets by the individual industries given in Table 2.22.

SCOTLAND:

Expenditure within the Secretary of State's responsibility

TABLE 2.23 £ million
at 1969 Survey prices

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
Civil defence	1.0	0.6	0.6	0.6
Roads and public lighting ..	65.0	66.3	71.1	77.4
Transport	1.6	4.1	5.3	7.3
Other assistance to employment and industry	2.8	3.6	4.1	4.5
Research Councils, etc.	2.5	2.7	3.0	3.3
Agriculture, fisheries and forestry ..	51.4	59.7	60.9	61.4
Housing	226.1	226.0	230.1	238.3
Local environmental services ..	84.5	86.2	88.6	89.3
Law and order	48.4	49.0	52.7	55.2
Education	213.9	219.8	229.4	239.8
Health and welfare	191.9	194.9	201.6	209.5
Miscellaneous services	4.8	4.5	4.8	4.9
Total	893.9	917.4	952.2	991.5

By Spending Authority—Central government = 368.7
 Local authorities = 538.4
 Public corporations = 45.1

 952.2

1. Table 2.23 provides separate expenditure figures relating to services in Scotland for which the Secretary of State's Departments are directly or indirectly responsible. Besides expenditure on national services such as defence and overseas aid, for which allocations are possible only on an arbitrary basis, they exclude expenditure by Great Britain Departments and the nationalised industries in Scotland.

2. The Scottish figures show differences in the pattern of expenditure by comparison with Great Britain as a whole, corresponding to differences in circumstances and needs. One of the main differences is in housing. Because of Scotland's reliance on rented housing and because the housing programme is being maintained at a high level to meet the needs of slum clearance, urban renewal and industrial relocation, Scotland has a proportionately large share of public sector housing investment.

3. The responsibilities of the Secretary of State's Departments in relation to civil defence, roads and public lighting, housing and local environmental services are virtually the same as those of the corresponding English Ministries. Differences in the coverage of other expenditure blocks are (briefly) as follows:—

Transport: The Scottish figures cover only rural bus and ferry grants, infrastructure expenditure, support to the Scottish Transport Group, certain shipping companies, and departmental administration. They do not include fuel grants, new bus grants, support to British Rail, the National Freight Corporation, the British Waterways Board, the port authorities and civil aviation.

Other assistance to employment and industry: The figures relate only to assistance to the coal industry (by way of grants to the two Scottish Electricity Boards for using extra coal) and to expenditure by the Highlands and Islands Development Board and the Scottish Tourist Board. They exclude Redundancy Fund payments, SET additional payments, payments of regional employment premiums, investment grants and certain other grants.

Research Councils: The figures cover only agricultural research in Scotland financed from Scottish Votes; they do not include Scotland's share of expenditure from the Science, Social Science, Medical, Agricultural, and Natural Environment Research Councils.

Agriculture, fisheries and forestry: This includes the Scottish share of the costs of agricultural support and other agricultural and fishing services met separately by the Department of Agriculture and Fisheries for Scotland. Other expenditure on agricultural support, and on animal health services which is met by the Ministry of Agriculture, Fisheries and Food, is excluded, as well as expenditure by the Forestry Commission.

Education and local libraries: The figures include all expenditure by the Scottish Education Department and local authorities, including expenditure on schools, further education, teacher training, youth service etc. Expenditure by the University Grants Committee in Scotland is excluded.

4. Responsibility in respect of social work services, exercised in England partly by the Home Office under the law and order head and partly by the Department of Health and Social Security under the health and welfare head, is now grouped together in Scotland in view of the setting up of local authority social work departments with effect from 17 November 1969 and the coming into operation (sometime towards the end of 1970-71) of the new system of children's hearings to replace the juvenile courts under Part III of the Social Work (Scotland) Act 1968. Total expenditure on social work services is expected to rise from just over £17½ million in 1969-70 to about £20 million in 1971-72. In all tables in this White Paper, however, this expenditure falls partly under law and order and partly under health and welfare.

5. Scotland's share of the nationalised industries' total investment is covered by the Great Britain figures in Table 2.22.

WALES :

Expenditure within the Secretary of State's responsibility

TABLE 2.24 £ million
at 1969 Survey prices

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
Roads and public lighting ..	34.6	33.3	38.5	42.3
Housing	40.8	38.5	41.1	42.8
Local environmental services ..	37.2	42.7	44.1	46.3
Health and welfare	94.6	97.5	99.7	102.9
Other	1.7	2.3	2.7	3.1
Total	208.9	214.3	226.1	237.4

1. The expenditure figures for Wales in Table 2.24 relate solely to services for which the Secretary of State is responsible. They include not only expenditure which is the direct responsibility of his Department but also expenditure by local authorities, hospitals and other agencies operating in Wales, for which the Secretary of State has indirect responsibility.

2. Table 2.24 shows that this expenditure was £209 million in 1968-69. This is expected to increase to £237 million in 1971-72. Nearly 50 per cent of the total is expenditure by the Welsh Office, the remainder being expenditure incurred by local authorities and the other public bodies concerned. Where there are differences in the pattern of expenditure in Wales compared with that for Great Britain as a whole, they correspond with differences in circumstances and needs.

3. The table does not show the full extent of public expenditure in Wales. Other Government expenditure (for example, on education and social security) and expenditure by the nationalised industries are also of great importance to Wales and are of concern to the Secretary of State in view of his responsibilities for the oversight of Government activities in general throughout the Principality. Arrangements have therefore been made, to enable the Secretary of State not

only to look at his own programmes in relation to the corresponding English and Scottish programmes but also to take a view of the Welsh parts of other Ministers' programmes.

4. The Secretary of State's responsibilities in relation to roads and public lighting, housing, local environmental services and health and welfare are virtually the same as those of the corresponding English Ministers.

5. The figures for "other expenditure" relate to a variety of items such as rural bus and ferry grants and infrastructure expenditure on transport, the expenditure by the Wales Tourist Board, and grants to the National Library of Wales and the National Museum of Wales. They do not include expenditure for which the Ministry of Transport and the Board of Trade are responsible in support of British Rail, the National Freight Corporation, the British Waterways Board, the port authorities and civil aviation. Nor do they include Redundancy Fund payments, SET additional payments, payments of regional employment premiums, investment grants or certain other grants.

TABLE 2.34
Expenditure within the Secretary of State's responsibility
in 1968-69

Category	1967-68 £ million	1968-69 £ million
Other Government expenditure (for example, on education and social security) and expenditure by the nationalised industries are also of great importance to Wales and are of concern to the Secretary of State in view of his responsibilities for the oversight of Government activities in general throughout the Principality.	1,274	1,274
Local environmental services	40.1	40.1
Housing	27.5	27.5
Roads and public lighting	24.8	24.8
Health and welfare	18.7	18.7
Other	1.0	1.0
Total	1,374	1,374

1. The expenditure figures for Wales in Table 2.34 relate solely to services for which the Secretary of State is responsible. They include not only expenditure which is the direct responsibility of his Department but also expenditure by local authorities, hospitals and other agencies operating in Wales for which the Secretary of State has indirect responsibilities.

2. Table 2.34 shows that this expenditure in 1968-69 was £1,374 million in 1968-69. This is expected to increase to £1,387 million in 1971-72. Ninety per cent of the total is expenditure by the Welsh Office, the remainder being expenditure incurred by local authorities and the other public bodies concerned. Where there are differences in the pattern of expenditure in Wales compared with that for Great Britain as a whole, they correspond with differences in circumstances and needs.

3. The table does not show the full extent of public expenditure in Wales. Other Government expenditure (for example, on education and social security) and expenditure by the nationalised industries are also of great importance to Wales and are of concern to the Secretary of State in view of his responsibilities for the oversight of Government activities in general throughout the Principality. Arrangements have therefore been made to enable the Secretary of State not

PART 3

ADDITIONAL STATISTICAL TABLES

PUBLIC EXPENDITURE BY PROGRAMME AND SPENDING AUTHORITY: 1968-69
TABLE 3.1 (provisional outturn) £ million

	Central Government		Local Authorities	Public Corporations	Total
	Supply	Other			
<i>At 1969 Survey prices</i>					
<i>Defence and external relations</i>					
1. Defence Budget	2,292	—	—	—	2,292
2. Other military defence	147	-1	—	—	146
3. Overseas aid (i)	191	7	—	8	206
4. Other overseas services	125	2	—	1	128
<i>Commerce and industry</i>					
5. Technological services	182	6	—	2	190
6. Other assistance to employment and industry	793	21	9	34	857
7. Research Councils, etc.	90	—	—	—	90
8. Agriculture, fisheries and forestry	359	-2	4	—	361
<i>Environmental services</i>					
9. Roads and public lighting	184	—	422	4	610
10. Transport	202	-6	48	7	251
11. Housing	148	-2	869	80	1,095
12. Local environmental services	11	—	662	20	693
13. Law and order	104	2	452	—	558
14. Arts	16	—	—	—	16
<i>Social services</i>					
15. Education	348	-1	1,885	—	2,232
16. Health and welfare	1,531	—	259	—	1,790
17. Social security (i)	889	2,406	—	—	3,295
<i>Other services</i>					
18. Financial administration	155	44	20	—	219
19. Common services	174	-10	—	—	164
20. Miscellaneous services	41	6	10	—	57
21. Northern Ireland	—	265	112	26	403
22. Nationalised industries, etc. capital expenditure	—	—	—	1,510	1,510
23. Debt interest	—	1,309	607	135	2,051
24. Relative price effect and other adjustments	7,982	4,046	5,359	1,827	19,214
25. Contingency reserve	—	—	—	—	381
<i>At 1969-70 outturn prices</i>					
Total	—	—	—	—	19,595

(i) At outturn prices—see Appendix III, paragraphs 7, 9 and 15.

PUBLIC EXPENDITURE BY PROGRAMME AND SPENDING AUTHORITY: 1969-70

TABLE 3.2

(estimate)

£ million

	Central Government		Local Authorities	Public Corporations	Total
	Supply	Other			
<i>At 1969 Survey prices</i>					
<i>Defence and external relations</i>					
1. Defence Budget	2,252	—	—	—	2,252
2. Other military defence	86	-1	—	—	85
3. Overseas aid (i)	211	6	—	7	224
4. Other overseas services	124	2	—	1	127
<i>Commerce and industry</i>					
5. Technological services	194	6	—	5	205
6. Other assistance to employment and industry	876	22	10	46	954
7. Research Councils, etc.	98	—	—	—	98
8. Agriculture, fisheries and forestry	418	-2	5	—	421
<i>Environmental services</i>					
9. Roads and public lighting	224	—	405	—	629
10. Transport	180	-8	62	8	242
11. Housing	181	-3	804	91	1,073
12. Local environmental services	12	—	695	35	742
13. Law and order	114	3	478	—	595
14. Arts	17	—	1	—	18
<i>Social services</i>					
15. Education	350	—	1,950	—	2,300
16. Health and welfare	1,581	-1	273	—	1,853
17. Social security (i)	975	2,570	—	—	3,545
<i>Other services</i>					
18. Financial administration	167	38	20	—	225
19. Common services	197	-11	—	—	186
20. Miscellaneous services	46	10	9	—	65
21. Northern Ireland	—	281	120	25	426
22. Nationalised industries, etc. capital expenditure	—	—	—	1,439	1,439
23. Debt interest	9	1,311	625	105	2,050
24. Price and other adjustments	8,312	4,223	5,457	1,762	19,754
25. Contingency reserve	—	—	—	—	303
<i>At 1969-70 outturn prices</i>					
Total	—	—	—	—	20,057

(i) At outturn prices—see Appendix III, paragraphs 7, 9 and 15.

PUBLIC EXPENDITURE BY PROGRAMME AND SPENDING AUTHORITY: 1970-71
 TABLE 3.3 (estimate) £ million

	Central Government		Local Authorities	Public Corporations	Total
	Supply	Other			
<i>At 1969 Survey prices</i>					
<i>Defence and external relations</i>					
1. Defence Budget	2,211	—	—	—	2,211
2. Other military defence	67	-1	—	—	66
3. Overseas aid (i)	220	4	—	10	234
4. Other overseas services	119	3	—	2	124
<i>Commerce and industry</i>					
5. Technological services	225	-3	—	4	226
6. Other assistance to employment and industry	862	18	10	35	925
7. Research Councils, etc.	105	—	—	—	105
8. Agriculture, fisheries and forestry	431	-2	3	—	432
<i>Environmental services</i>					
9. Roads and public lighting	257	—	434	—	691
10. Transport	148	-8	96	8	244
11. Housing	229	-3	814	101	1,141
12. Local environmental services	13	—	717	39	769
13. Law and order	124	4	507	—	635
14. Arts	19	—	1	—	20
<i>Social services</i>					
15. Education	371	—	2,010	—	2,381
16. Health and welfare	1,635	1	284	—	1,920
17. Social security (i)	965	2,773	—	—	3,738
<i>Other services</i>					
18. Financial administration	170	30	20	—	220
19. Common services	216	-11	—	—	205
20. Miscellaneous services	49	22	9	—	80
21. Northern Ireland	—	294	123	26	443
22. Nationalised industries, etc. capital expenditure	—	—	—	1,474	1,474
23. Debt interest	34	1,251	655	110	2,050
24. Relative price effect and other adjustments	8,470	4,372	5,683	1,809	20,334
25. Contingency reserve	—	—	—	—	345
	—	—	—	—	75
<i>At 1969-70 outturn prices</i>					
Total	—	—	—	—	20,754

(i) At outturn prices—see Appendix III, paragraphs 7, 9 and 15.

PUBLIC EXPENDITURE BY PROGRAMME AND SPENDING AUTHORITY: 1971-72
TABLE 3.4 (estimate) £ million

	Central Government		Local Authorities	Public Corporations	Total
	Supply	Other			
<i>At 1969 Survey prices</i>					
<i>Defence and external relations</i>					
1. Defence Budget	2,161	—	—	—	2,161
2. Other military defence	28	—	—	—	28
3. Overseas aid (i)	237	3	—	11	251
4. Other overseas services	121	3	—	1	125
<i>Commerce and industry</i>					
5. Technological services	199	6	—	2	207
6. Other assistance to employment and industry	887	19	11	20	937
7. Research Councils, etc.	111	—	—	—	111
8. Agriculture, fisheries and forestry	437	-2	7	—	442
<i>Environmental services</i>					
9. Roads and public lighting	281	—	477	—	758
10. Transport	142	-8	97	16	247
11. Housing	259	-4	835	112	1,202
12. Local environmental services	13	—	746	38	797
13. Law and order	135	3	535	—	673
14. Arts	21	—	1	—	22
<i>Social services</i>					
15. Education	392	-1	2,108	—	2,499
16. Health and welfare	1,701	—	301	—	2,002
17. Social security (i)	981	2,839	—	—	3,820
<i>Other services</i>					
18. Financial administration	163	29	20	—	212
19. Common services	234	-11	—	—	223
20. Miscellaneous services	61	24	10	—	95
21. Northern Ireland	—	297	—	—	297
22. Nationalised industries, etc. capital expenditure	—	—	126	28	451
23. Debt interest	32	1,173	710	1,436 110	2,025
24. Relative price effect and other adjustments	8,596	4,370	5,984	1,774	20,724
25. Contingency reserve	—	—	—	—	521
<i>At 1969-70 outturn prices</i>					
Total	—	—	—	—	21,420

(i) At outturn prices—see Appendix III, paragraphs 7, 9 and 15.

PUBLIC EXPENDITURE BY ECONOMIC CATEGORY: 1968-69 TO 1971-72

TABLE 3.5

£ million

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
<i>At 1969 Survey prices</i>				
Current expenditure on goods and services	7,641	7,741	7,894	8,009
Subsidies	862	910	908	908
Debt interest	2,051	2,050	2,050	2,025
Current grants to personal sector ..	3,782	4,064	4,282	4,377
Current grants abroad	186	194	183	189
Gross domestic fixed capital formation	3,804	3,811	3,979	4,175
Increase in value of stocks	21	13	28	34
Capital grants to private sector ..	685	782	776	831
Net lending to private sector	72	53	97	27
Loans to overseas governments	82	90	87	96
Drawings from United Kingdom subscriptions to international lending bodies	19	15	26	25
Other net lending and investment abroad	-6	5	12	17
Cash expenditure on company securities (net)	15	26	12	11
Relative price effect and other adjustments	381	303	345	521
Contingency reserve	—	—	75	175
<i>At 1969-70 outturn prices</i>				
Total	19,595	20,057	20,754	21,420

PUBLIC EXPENDITURE BY PROGRAMME AND ECONOMIC CATEGORY:
TABLE 3.6 **1968-69 to 1971-72** £ million

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
<i>At 1969 Survey prices</i>				
<i>Defence Budget</i>				
Current expenditure on goods and services	2,245	2,214	2,173	2,121
Other current expenditure	6	7	7	8
Gross domestic fixed capital formation ..	39	27	28	29
Other capital expenditure	2	4	3	3
Total	2,292	2,252	2,211	2,161
<i>Other military defence</i>				
Current expenditure on goods and services	132	76	61	25
Other current expenditure	11	7	4	3
Other capital expenditure	3	2	1	—
Total	146	85	66	28
<i>Overseas aid (i)</i>				
Other current expenditure	100	112	111	118
Other capital expenditure	106	112	123	133
Total	206	224	234	251
<i>Other overseas services</i>				
Current expenditure on goods and services	100	102	101	102
Other current expenditure	22	18	17	18
Gross domestic fixed capital formation ..	1	1	1	1
Other capital expenditure	5	6	5	4
Total	128	127	124	125
<i>Technological services</i>				
Current expenditure on goods and services	119	125	153	143
Other current expenditure	28	29	18	12
Gross domestic fixed capital formation ..	29	36	33	37
Other capital expenditure	14	15	22	15
Total	190	205	226	207
<i>Other assistance to employment and industry</i>				
Current expenditure on goods and services	77	88	91	96
Other current expenditure	256	224	200	186
Gross domestic fixed capital formation ..	13	16	23	26
Other capital expenditure	511	626	611	629
Total	857	954	925	937
<i>Research Councils, etc.</i>				
Current expenditure on goods and services	34	37	40	41
Other current expenditure	40	43	46	49
Gross domestic fixed capital formation ..	11	12	13	14
Other capital expenditure	5	6	6	7
Total	90	98	105	111

(i) At outturn prices—see Appendix III, paragraphs 7 and 15

PUBLIC EXPENDITURE BY PROGRAMME AND ECONOMIC CATEGORY—cont.

TABLE 3.6—cont.

£ million

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
<i>At 1969 Survey prices</i>				
<i>Agriculture, fisheries and forestry</i>				
Current expenditure on goods and services	44	45	45	46
Other current expenditure	243	292	300	300
Gross domestic fixed capital formation ..	7	9	7	11
Other capital expenditure	67	75	80	85
Total	361	421	432	442
<i>Roads and public lighting</i>				
Current expenditure on goods and services	238	223	241	263
Gross domestic fixed capital formation ..	372	406	450	495
Total	610	629	691	758
<i>Transport</i>				
Current expenditure on goods and services	13	15	17	19
Other current expenditure	171	158	130	124
Gross domestic fixed capital formation ..	62	73	103	110
Other capital expenditure	5	-4	-6	-6
Total	251	242	244	247
<i>Housing</i>				
Current expenditure on goods and services	1	1	1	1
Other current expenditure	233	270	313	339
Gross domestic fixed capital formation ..	839	819	792	863
Other capital expenditure	22	-17	35	-1
Total	1,095	1,073	1,141	1,202
<i>Local environmental services</i>				
Current expenditure on goods and services	363	385	399	407
Gross domestic fixed capital formation ..	324	351	363	383
Other capital expenditure	6	6	7	7
Total	693	742	769	797
<i>Law and order</i>				
Current expenditure on goods and services	487	513	543	568
Other current expenditure	20	22	23	25
Gross domestic fixed capital formation ..	50	59	68	79
Other capital expenditure	1	1	1	1
Total	558	595	635	673
<i>Arts</i>				
Current expenditure on goods and services	7	7	8	9
Other current expenditure	8	9	10	11
Other capital expenditure	1	2	2	2
Total	16	18	20	22

PUBLIC EXPENDITURE BY PROGRAMME AND ECONOMIC CATEGORY—cont.

TABLE 3.6—cont.

£ million

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
<i>At 1969 Survey prices</i>				
<i>Education</i>				
Current expenditure on goods and services	1,531	1,557	1,597	1,658
Other current expenditure	350	390	411	430
Gross domestic fixed capital formation ..	244	252	268	301
Other capital expenditure	107	101	105	110
Total	2,232	2,300	2,381	2,499
<i>Health and welfare</i>				
Current expenditure on goods and services	1,623	1,679	1,738	1,796
Other current expenditure	6	7	7	7
Gross domestic fixed capital formation ..	158	164	172	196
Other capital expenditure	3	3	3	3
Total	1,790	1,853	1,920	2,002
<i>Social security (ii)</i>				
Current expenditure on goods and services	123	133	134	146
Other current expenditure	3,172	3,412	3,604	3,674
Total	3,295	3,545	3,738	3,820
<i>Financial administration</i>				
Current expenditure on goods and services	199	206	203	196
Other current expenditure	19	18	17	16
Gross domestic fixed capital formation ..	1	1	—	—
Total	219	225	220	212
<i>Common services</i>				
Current expenditure on goods and services	130	145	152	159
Gross domestic fixed capital formation ..	34	41	53	64
Total	164	186	205	223
<i>Miscellaneous services</i>				
Current expenditure on goods and services	52	57	59	72
Other current expenditure	2	1	2	2
Gross domestic fixed capital formation ..	5	11	19	21
Other capital expenditure	-2	-4	—	—
Total	57	65	80	95
<i>Northern Ireland</i>				
Current expenditure on goods and services	123	132	136	141
Other current expenditure	143	150	153	152
Gross domestic fixed capital formation ..	100	102	110	111
Other capital expenditure	37	42	44	47
Total	403	426	443	451
<i>Nationalised industries, etc.</i>				
Gross domestic fixed capital formation ..	1,515	1,431	1,478	1,435
Other capital expenditure	-5	8	-4	1
Total	1,510	1,439	1,474	1,436
Debt interest	2,051	2,050	2,050	2,025
Relative price effect and other adjustments	381	303	345	521
Contingency reserve	—	—	75	175
<i>At 1969-70 outturn prices</i>				
Grand Total	19,595	20,057	20,754	21,420

(ii) At outturn prices—see Appendix III, paragraphs 7, 9 and 15.

APPENDIX I

LOCAL AUTHORITIES FINANCIAL RELATIONSHIP WITH THE GOVERNMENT

1. There are 1235 operating units of local government in England, 234 in Scotland and 181 in Wales, and together with the local authorities in Northern Ireland they are responsible for some 30 per cent of total public expenditure excluding debt interest. The great bulk of this expenditure is incurred by a relatively few large authorities; for example over two-thirds of total local authority expenditure in England is the responsibility of less than one-seventh of the total number of authorities.

2. Local authorities are in the first instance responsible for most of the expenditure on roads (other than trunk roads), housing, local environmental services, law and order and (largest of all) education.

3. Many aspects of local government will be affected by the reorganisation which is to take place in England and in Scotland following the reports of the two Royal Commissions on local Government, and also in Wales.

4. The present financial arrangements between the central government and local authorities differ between capital expenditure and current expenditure, with closer control over capital. All such expenditure initiated by local authorities on projects financed by borrowing requires loan sanction. In some major programmes—housing and schools—a specific approval is also needed for the start of projects. Capital grants for principal roads are approved for individual schemes. Most other projects do not receive capital grants, but the Government meets a substantial part of the cost through continuing annual grants towards the interest charges on the borrowing from which the projects are financed. There are special Government subsidies towards the interest charges incurred on housing; these subsidies, together with other Government subsidies and the subsidies paid from the rates to balance the local authorities' housing revenue accounts, are shown in the "Subsidies" figures in Table 2.11, with the capital costs of new houses shown under the heading "Investment and improvements". Interest charges resulting from other capital programmes count as part of the revenue expenditure which receives rate support grant under the arrangements explained in paragraph 6 below; these interest charges are not, however, apportioned to the tables for the various functional programmes.

5. It is far from easy to translate programmes of these capital projects into forecasts of annual expenditure. Generally speaking the estimates of the phasing of the expenditure year by year are worked out by Departments from their central experience rather than provided by the local authorities themselves. It is hoped that the development of the relationships between Departments and local authorities following reorganisation will facilitate improved arrangements for forward programmes.

6. Estimates of the total revenue expenditure of local authorities as a whole are discussed with the local authority associations for the purpose of determining rate support grant. These determinations take place every other year for the coming two-year period. The last was made in 1968 in respect of 1969-70 and 1970-71; the next is due to be made next year, in respect of 1971-72 and 1972-73. The total figures used in such determinations are accompanied by forecasts of the revenue expenditure expected to be incurred on each of the functional programmes, and individual local authorities are thereafter expected to be guided by this indication of relative priorities. However, the actual amount of revenue expenditure incurred by an individual local authority, whether financed from its rate revenue or from rate support grant, and the detailed allocation of this total between individual services are in the hands of that authority.

APPENDIX II

COMPARISON WITH PAST PUBLISHED ESTIMATES OF FORWARD PROGRAMMES

1. The following table compares the estimates in this White Paper of expenditure in 1969-70 and 1970-71 with those given for the corresponding categories of expenditure in the White Paper of February 1969 "Public Expenditure, 1968-69 to 1970-71" (Cmnd. 3936) revalued at 1969 Survey prices.

2. Of the larger changes in 1969-70 the estimate for "Other Assistance to Employment and Industry" incorporates a revised estimate of the proportion of manufacturing investment eligible for investment grant. The increase in the estimate for Agriculture, Fisheries and Forestry is largely attributable to the 1969 Farm Price Review. As against these increases in 1969-70, there are lower estimates for "Other Military Defence" (a re-phasing of progress payments on U.S.-built military aircraft, together with an overall reduction in the cost of the programme) and Local Environmental Services (new assessment of expenditure by local authorities). The small net increase in the provision for identified expenditure programmes has been met from the Contingency Reserve which originally stood at £75 million.

3. As regards 1970-71, there are, for the reasons explained in the preceding paragraph, increases for "Other Military Defence", "Other Assistance to Employment and Industry" and "Agriculture, Fisheries and Forestry". But these are offset by reductions, including a reduction of £76 million in the Defence Budget, which the Government have made in the plans for other programmes.

COMPARISON BETWEEN FEBRUARY 1969 ESTIMATE AND LATEST ESTIMATE OF PROGRAMMES

£ million

	1969-70		1970-71	
	February 1969 estimate	Latest estimate	February 1969 estimate	Latest estimate
<i>At 1969 Survey prices</i>				
Defence Budget	2,272	2,252	2,287	2,211
Other military defence	119	85	25	66
Overseas aid (i)	228	224	235	234
Other overseas services	125	127	126	124
Technological services	217	205	207	226
Other assistance to employment and industry	829	954	859	925
Research Councils etc.	98	98	106	105
Agriculture, fisheries and forestry	394	421	399	432
Roads and public lighting	611	629	704	691
Transport	254	242	261	244
Housing	1,089	1,073	1,143	1,141
Local environmental services	769	742	775	769
Law and order	586	595	648	635
Arts	18	18	20	20
Education	2,294	2,300	2,386	2,381
Health and welfare	1,853	1,853	1,919	1,920
Social security (i)	3,533	3,545	3,765	3,738
Financial administration	223	225	222	220
Common services	187	186	204	205
Miscellaneous services	66	65	82	80
Northern Ireland	420	426	438	443
Price adjustments, etc.	-8	-51	-219	-163
Contingency reserve	75	—	165	75
Total	16,252	16,214	16,757	16,722
Nationalised industries, etc. capital ex- penditure (ii)		1,439		1,474
Debt interest (ii)		2,050		2,050
Relative price effect and adjustment to 1969-70 outturn prices (ii)		354		508
<i>At 1969-70 outturn prices</i>				
Total		20,057		20,754

(i) At outturn prices—see Appendix III, paragraphs 7, 9 and 15.

(ii) Estimates for these items were not given in the Chancellor of the Exchequer's statement of 20th February 1969 (Cmnd. 3936).

APPENDIX III NOTES ON METHODOLOGY

1. These notes explain the conventions and classifications used in this White Paper. A fuller account of the principles underlying this presentation and of certain technical aspects of it is given in the Government's Green Paper of April, 1969 ⁽¹⁾, particularly in Appendix II.

Definitions and coverage

2. In order that the figures can be consistent as far as possible with the statistics and forecasts of national income and expenditure, they follow the methods, sources and definitions which the Central Statistical Office use for public sector transactions in the national income accounts⁽²⁾. The public sector comprises central government (including the National Insurance Funds), local authorities and public corporations (including the nationalised industries). Apart from transactions on operating account by the nationalised industries and other trading bodies, all current and capital transactions are covered. Transfers between the public sector and other sectors are included but internal transfers, such as central government grants and loans to local authorities and public corporations, are generally eliminated. Indirect taxes, including selective employment tax paid by public bodies, are included as part of the cost of the programmes to which they relate and are credited as receipts by the authority to which they accrue. Subsidies to public authorities' trading services and to public corporations are also included, since they are paid to their operating accounts.

3. The figures in this White Paper exclude imputed rents which are used in the national income statistics to measure the value of the use made of publicly-owned fixed capital assets in the provision of public services; this is because of the difficulties of estimation and deficiencies of coverage. Since imputed rents would be entered both as a receipt and a payment, their inclusion would make no difference to the figures for the balances in the tables which show both receipts and expenditure by the public sector.

4. At the back of the Blue Book, "National Income and Expenditure, 1969", a table showing the Treasury analysis of public expenditure provides figures for past financial years on a basis which is consistent with the calendar year figures shown elsewhere in the Blue Book. Expenditure in this table is analysed by programmes according to the classification used by the Government for taking decisions on public expenditure. The same classification is used in the tables analysing expenditure by programmes in this White Paper.

Price basis

5. The Blue Book shows expenditure for the past at outturn (or current) prices; that is, the actual prices at which expenditure was incurred during the year in question. But for the purpose of Government decisions the forward estimates are made on a constant price basis. This enables comparisons to be made of changes in demands on resources arising directly or indirectly from public expenditure in successive years, and the growth of total public expenditure to be related to what is acceptable in the light of the likely growth of the economy as a whole.

6. The estimates of current expenditure on goods and services are on a similar price basis to that used in the 1969-70 Supply Estimates, apart from the increase in rates of selective employment tax introduced in the April, 1969 Budget. Those for gross domestic fixed capital formation are mostly at March, 1969 prices. In some cases, however, such as roads and education, they relate to the price basis currently in use for planning purposes which may differ from March, 1969.

⁽¹⁾ "Public Expenditure: A New Presentation," Cmnd. 4017.

⁽²⁾ Described in "National Accounts Statistics: Sources and Methods," HMSO, 1968.

7. The expression of transfer payments—payments which do not involve a direct purchase of goods and services—at constant prices can only be on an arbitrary basis: for example, relating them to general purchasing power. Some grants and subsidies, such as grants to universities and the aid programme, are expressed in money terms, that is, at the amount expected to be disbursed in each year, irrespective of price changes which may by then have occurred. Although this treatment progressively overstates the demands on resources which such money expenditure would transfer, there is nothing in the change in the amount of money being provided from year to year that can be specifically attributed to the effect of price changes. An overall adjustment related to the estimated movement in the price level of the output of the economy as a whole ⁽³⁾ is therefore included in the line “Relative price effect and other adjustments” in the relevant tables. Social security benefits are treated differently, in the manner explained below. Where subsidies are intended to reimburse deficits, the estimates may be entirely notional. Agricultural subsidies are the most important example. The forward figures of debt interest involve the neutral assumption that interest rates continue at their present levels; this is not, of course, a forecast. Allowance is made for some reduction in the total volume of debt, and for the refunding of current debt. These projections are made at outturn prices and deflated to constant prices by the price deflator applicable to the gross domestic product.

8. For reasons explained in paragraph 30 of the Green Paper estimates of public sector receipts are in some tables set alongside the estimates of expenditure. Taxes and other receipts (other than social security contributions), including charges for goods and services, have in the first instance been estimated at outturn prices. They have then been deflated to estimated 1969-70 outturn prices in the manner described for those items of expenditure originally estimated at outturn prices.

9. In all the tables showing expenditure by programmes social security benefits are expressed in terms of existing levels of benefit since, as explained in Section 2.17, it is not practicable to forecast the exact date and amount of future benefit increases. But in order that the total of public expenditure will provide a measure of the estimated demand on resources, the line “Relative price effect and other adjustments” contains a net entry for social security comprising two elements—(a) a downward adjustment relating to the forecast movement in prices and (b) a notional upward adjustment for biennial upratings on account of such price movements. On the receipts side social security contributions have been calculated in a similar manner. The entries against this item reflect the continuation of existing rates of contributions, and a net adjustment to allow for movements in prices and a notional biennial uprating is made in the line “Other receipts” in Table 1.2 and in the line “Taxes and other unallocated receipts” in Tables 1.7 to 1.10.

10. In order that estimated receipts may be compared with estimated expenditure on a consistent price basis a further overall adjustment, included within “Relative price effect and other adjustments”, converts the expenditure figures at 1969 Survey prices to estimated 1969-70 outturn prices.

Relative price effect

11. The definition of constant prices applied to the measurement of public expenditure described above follows that used in the national income statistics. This means that no account is taken of possible increases in rates of pay beyond the sum already agreed for the financial year 1969-70—and reflected in the 1969-70 Supply Estimates. The output of those employed in the public sector is taken as equal to their pay; productivity and pay are taken as constant.

12. As a result of the use of this convention, the estimates of public expenditure as a proportion of gross domestic product at constant prices will progressively understate what the proportion would be at current prices. This is because increases in productivity in the private sector will be reflected in increased output at constant prices, while increases in productivity in the public sector will be

⁽³⁾ As measured by gross domestic product at factor cost.

ignored except in cases where a given task is performed by fewer staff. Furthermore, rising productivity in the private sector will be accompanied by rising real earnings which tend to be matched by public sector real earnings.

13. One way of making allowance for this situation is to add to the constant price series a growing amount equal to the expected future difference (derived from past trends) between the share in total output of public expenditure on current goods and services at current prices and its share at constant prices. Approximate calculations suggest that this difference is of the order of $1\frac{1}{2}$ to 2 per cent a year of public expenditure at factor cost on current goods and services. The relative size of the difference has, however, varied from year to year and may be expected to continue to do so. This is the basis of the adjustment for the "relative price effect" insofar as it applies to public consumption (current expenditure on goods and services). It has not yet proved possible to allocate it by programmes, though clearly the programmes which involve employing relatively large numbers of people, e.g. health and education, will account for most of it. A similar adjustment has been applied to those transfer payments which have been classified as resources⁽⁴⁾. The relative prices of other expenditures may also move differentially and adjustments should in theory be made for these. But in practice the size of the corrections is not likely to be significant and some of them may be in a downward direction; no allowance has, therefore, been made for them.

14. The end product of all these adjustments is a set of projections which discount the effect of general price changes, as do all constant price estimates, but also attempt to allow for changes in relative prices which projections of quantities and of employment alone cannot do.

Presentation of adjustments

15. The estimates for individual programmes have been entered in the detailed tables of Part 2 without any of the adjustments described in the preceding paragraphs. They have been carried through on the same price basis into the summary tables in Parts 1 and 3. With the exception of overseas aid and social security these estimates are referred to as "at 1969 Survey prices". The line "Relative price effect and other adjustments" in the summary table includes all the adjustments necessary to convert the expenditure estimates to 1969-70 outturn prices, the basis on which the totals of public expenditure are expressed. The adjustment line also includes an allowance for shortfall in the years 1969-70 and 1970-71 and for statistical adjustments (timing and roundings). The allowance for shortfall is included to correct a tendency towards over-estimation of the figures in the early years of the period ahead. The total adjustment shown in the tables for the years 1968-69 to 1971-72 is made up as follows:—

£ million

	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate	1971-72 estimate
1. Adjustment of cash programmes to constant prices (i)	182	—	-113	-148
2. Adjustment to 1969-70 outturn prices (ii)	352	354	362	371
3. Relative price effect (iii)	-140	—	146	298
4. Shortfall (iv)	—	-50	-50	—
5. Statistical adjustments (iv)	-13	-1	—	—
Total	381	303	345	521

(i) Paragraphs 7 to 9.

(ii) Paragraph 10.

(iii) Paragraphs 11 to 14.

(iv) Paragraph 15.

⁽⁴⁾ See paragraphs 18 and 21 below.

16. The table in Appendix II compares programme by programme on a comparable price basis the estimates of public expenditure in 1969-70 and 1970-71 as given in the Chancellor of the Exchequer's statement of 20th February 1969⁽⁵⁾ with the latest estimates of expenditure. The basis of this comparison is 1969 Survey prices and the capital expenditure of the nationalised industries, debt interest and the relative price effect are excluded. Adjustments 1, 4 and 5 in the table in the preceding paragraph have to be taken into account in making this comparison and are accordingly included in the line "Price adjustments, etc." in the table in Appendix II. The comparison is not affected by adjustments 2 and 3 and these make up the entry in the line "Relative price effect and adjustment to 1969-70 outturn prices".

17. The reconciliation of the latest estimates of the totals to which the published limits apply with totals of public expenditure shown in the tables elsewhere in this White Paper is as follows:—

	£ million		
	1968-69 provisional outturn	1969-70 estimate	1970-71 estimate
<i>At 1969 Survey Prices</i>			
Total subject to limits	15,822	16,214	16,722
Nationalised industries, etc. capital expenditure	1,510	1,439	1,474
Debt interest	2,051	2,050	2,050
Adjustment to 1969-70 outturn prices	352	354	362
Relative price effect	-140	—	146
<i>At 1969-70 outturn prices</i>			
Total public expenditure ..	19,595	20,057	20,754

Classification by Resource Use

18. As explained in paragraph 34 of the Green Paper, in order to give a broad indication of the use of resources implied by different types of public expenditure, the relevant transactions are set out in three groups—resources, transfers, taxation, etc., and assets. The principles underlying the allocation of items to these three groups are described in paragraphs 3 to 5 of Appendix II to the Green Paper. The actual allocation adopted in this White Paper, given below, uses the data on public sector receipts and expenditure available at present. In the course of time further improvements and refinements should be possible.

⁽⁵⁾ "Public Expenditure, 1968-69 to 1970-71", Cmnd. 3936.

Receipts

A. Resources

Taxes

1. Taxes on income and expenditure and local rates.

Contributions

2. National insurance.
3. Health service.
4. Other.

Other receipts

5. Gross trading surpluses before depreciation and stock appreciation.
6. Rent, dividends and interest, other than interest receipts from abroad and imputed rent.
7. Receipts for capital works.

B. Transfers, taxation, etc.

Taxes

1. Taxes on income and expenditure and local rates.

Contributions

2. National insurance.
3. Health service.
4. Other.

Other receipts

5. Gross trading surpluses before depreciation and stock appreciation.
6. Rent, dividends and interest, other than interest receipts from abroad and imputed rent.
7. Receipts for capital works.

C. Assets

Taxes on capital and miscellaneous borrowing, etc.

1. Taxes on capital.
2. Borrowing from certain pension funds (net).
3. Northern Ireland Central Government borrowing (net).
4. Miscellaneous financial transactions (net) (including import deposits and adjustments for tax accruals).

Expenditure

Purchase of resources for capital and current purposes.

1. Current expenditure on goods and services (other than imputed rent), gross of charges.
2. Gross domestic fixed capital formation, excluding transactions in land and existing buildings.
3. Current and capital grants to private non-profit making bodies.
4. Current grants to persons (education, health and research councils).
5. Capital grants to persons.
6. Net expenditure abroad—current grants, debt interest and net lending less receipts of interest.

Deduct

Charges

7. Charges and sales normally offset to current expenditure on goods and services (including charges for school meals and milk and welfare foods).

Grants and subsidies

1. Subsidies.
2. Current grants to persons (except under education, health and research councils).
3. Capital grants to companies.

Debt interest

4. Debt interest, excluding payments abroad.

Net purchase of land, existing buildings and financial assets.

1. Purchases less sales of land and existing buildings.
2. Net lending to the private sector.
3. Cash expenditure on company securities (net).

Attribution of expenditure and receipts to programmes

19. All expenditure, irrespective of the authority by which it is incurred, has been allocated in the tables to one or other of twenty functional programmes. The public expenditure of Northern Ireland and the capital expenditure by the nationalised industries (including the broadcasting authorities and the Covent Garden Market Authority) are brought together under single headings; and so is debt interest. In Tables 1.7 to 1.10 all receipts from sales and charges and from contributions (national insurance, national health and Redundancy Fund) have been allocated to programmes and as far as possible earnings (trading surpluses, rent, dividends and interest) have also been attributed to programmes in accordance with the allocation of the associated expenditure on assets. A relatively small amount of rent, dividends and interest, which it is not possible to allocate, is included with receipts from taxation and certain other miscellaneous items of revenue in the line "Taxes and other unallocated receipts".

20. In the case of nationalised industries and other public enterprises, gross trading surpluses have to provide for interest charges on capital and (where appropriate) tax payments. This reduces the amount available to the public enterprises for gross capital formation. In order that their residual financing requirement should not be understated and that the expenditure totals should correspond with previous presentations, the appropriate interest and tax payments have been deducted from the trading surpluses and entered among unallocated receipts.

21. Expenditure on overseas aid is included within line 1 of category A in Table 1.2 net of loan service payments: it represents the net resource cost of this expenditure within the continuing aid programme. In the figures of total public expenditure (line 14 of Table 1.2), and in the other tables of the White Paper where this total appears, overseas aid expenditure is included gross of loan service payments; this is the basis on which the programme is planned and controlled, as representing the best measure of new expenditure in the form of transfers and lending overseas. The remainder of public expenditure on overseas aid—*i.e.*, the balance between the figures in line 1 and those in line 14 of Table 1.2—is included in line 4 of category B of that table; and line 8 of that table includes the corresponding amount received in repayments of capital and payments of interest on earlier aid loans. This treatment of expenditure on overseas aid is also followed in Tables 1.7 to 1.10.

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