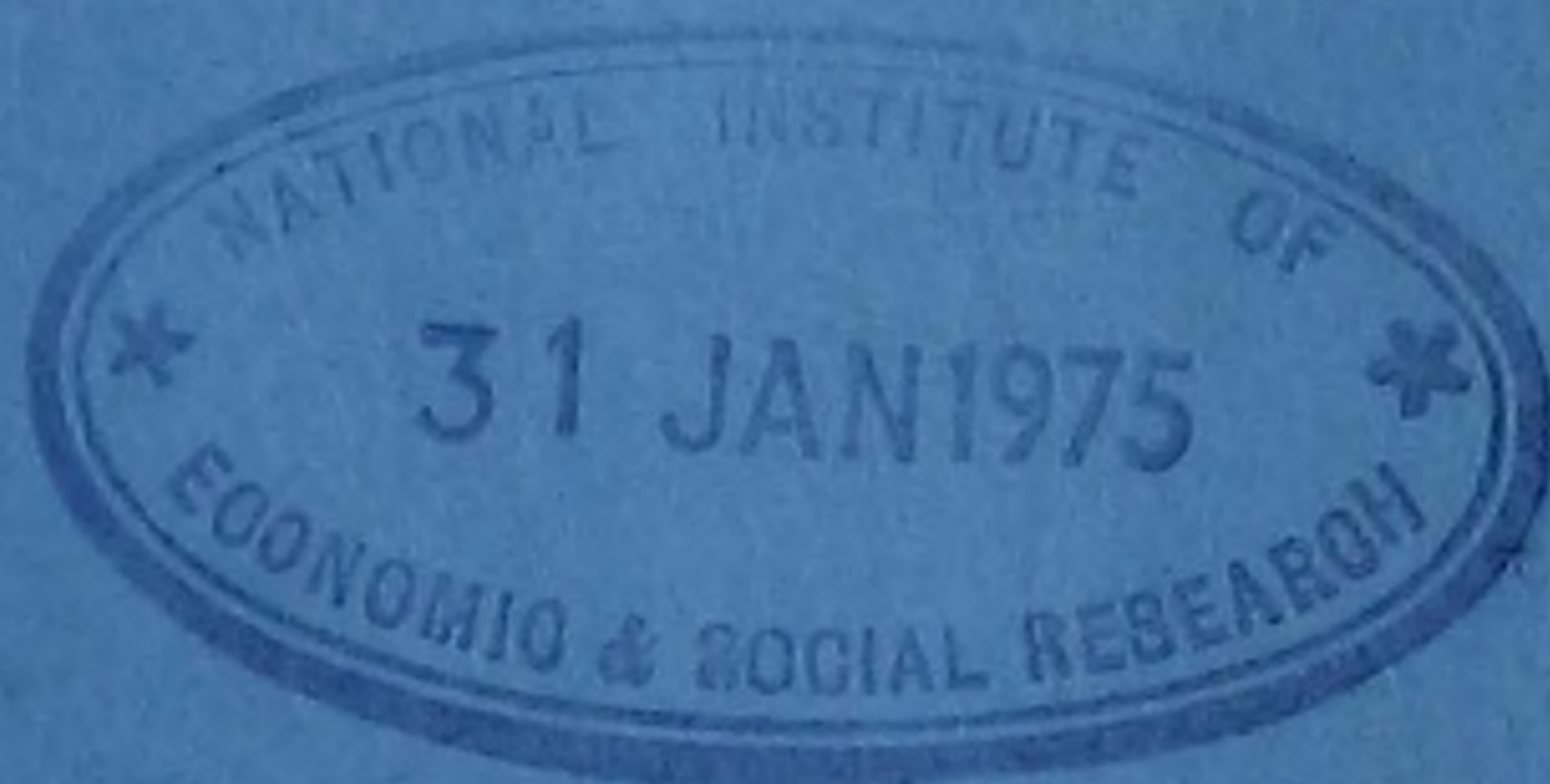




Public Expenditure to 1978-79

*Presented to Parliament by the Chancellor of the Exchequer
by Command of Her Majesty
January 1975*



LONDON
HER MAJESTY'S STATIONERY OFFICE
£1.45 net



**Public Expenditure
to 1978-79**

Cmnd. 5879

CORRECTION

Page 162, Table 3.13, B. Other changes.

In the line Other environmental services, in the column
1976-77

for " +119 " read " -119 "

February 1975

LONDON: HER MAJESTY'S STATIONERY OFFICE

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LONDON
THE MAJESTY STATIONERY OFFICE

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PART 1

Public Expenditure—General Review

Introduction

1. This White Paper sets out the Government's public expenditure plans for the years 1974-75 to 1978-79.

2. In drawing up these plans, the Government have been concerned to do two things:

- to strike the right balance between the demand placed on resources by public expenditure and by exports, investment and private consumption;
- to bring the public expenditure programmes into line with the Government's general priorities and objectives.

The general background

3. In carrying out this review, the Government have taken account of three major factors which bear on either the scale or the composition of the public expenditure programmes.

4. The first of these factors is the balance of payments deficit, which has been greatly aggravated by the oil crisis. The increase in the price of oil since the autumn of 1973 now represents a claim on our resources equivalent to roughly 4 per cent of our national output. This, together with the previous deficit, has meant that our absorption of resources last year was around 6 per cent. in excess of national output.

5. By the end of the period covered by this White Paper, we can look forward to meeting most of our own oil needs from domestic sources, and this puts us in a position of great advantage compared with some other industrialised countries. But even before the oil crisis, we had a large balance of payments deficit. We must aim to close the non-oil deficit as soon as possible and to go on to achieve an overall balance taking account of the cost of servicing accumulated debt. This claim on our resources affects the total amount of public expenditure which can be afforded, and makes it all the more important to establish clear priorities between the various programmes.

6. Secondly, the composition of public expenditure has been modified to reflect the importance the Government attaches to certain key social programmes in the pursuit of its economic objectives. This has required additional spending on a number of programmes: notably social security, housing and subsidies. Higher priority for such programmes, however, inevitably means lower priority for others.

7. Thirdly, there is the need to improve the underlying growth in output, which—at any given level of the terms of trade—provides the only real source of improvements in either public or private consumption. To do this, we must increase our productive investment as well as making the best use of our present productive capacity, and ensuring a more rapid increase in productivity. In the longer term, this is relevant to the permissible scale of public expenditure, but more immediately it affects its composition. The Government's expenditure plans in this field include additional investment in the nationalised industries; regional, industrial and agricultural support; manpower and training policies; and the further measures indicated in the White Paper on the Regeneration of British Industry (Cmnd. 5710).

8. Against this general background, the next two sections deal, in greater detail, with the place of public expenditure in the economy as a whole, and the broad movement in public expenditure and its allocation between particular programmes.

Public expenditure and the nation's resources

9. The size of public expenditure, and its rate of growth, must be related to the total of resources available and the strength of competing claims. The purpose of this section is to look at the use of the nation's resources, and the part that public expenditure will play in this, over the next five years.

The starting position

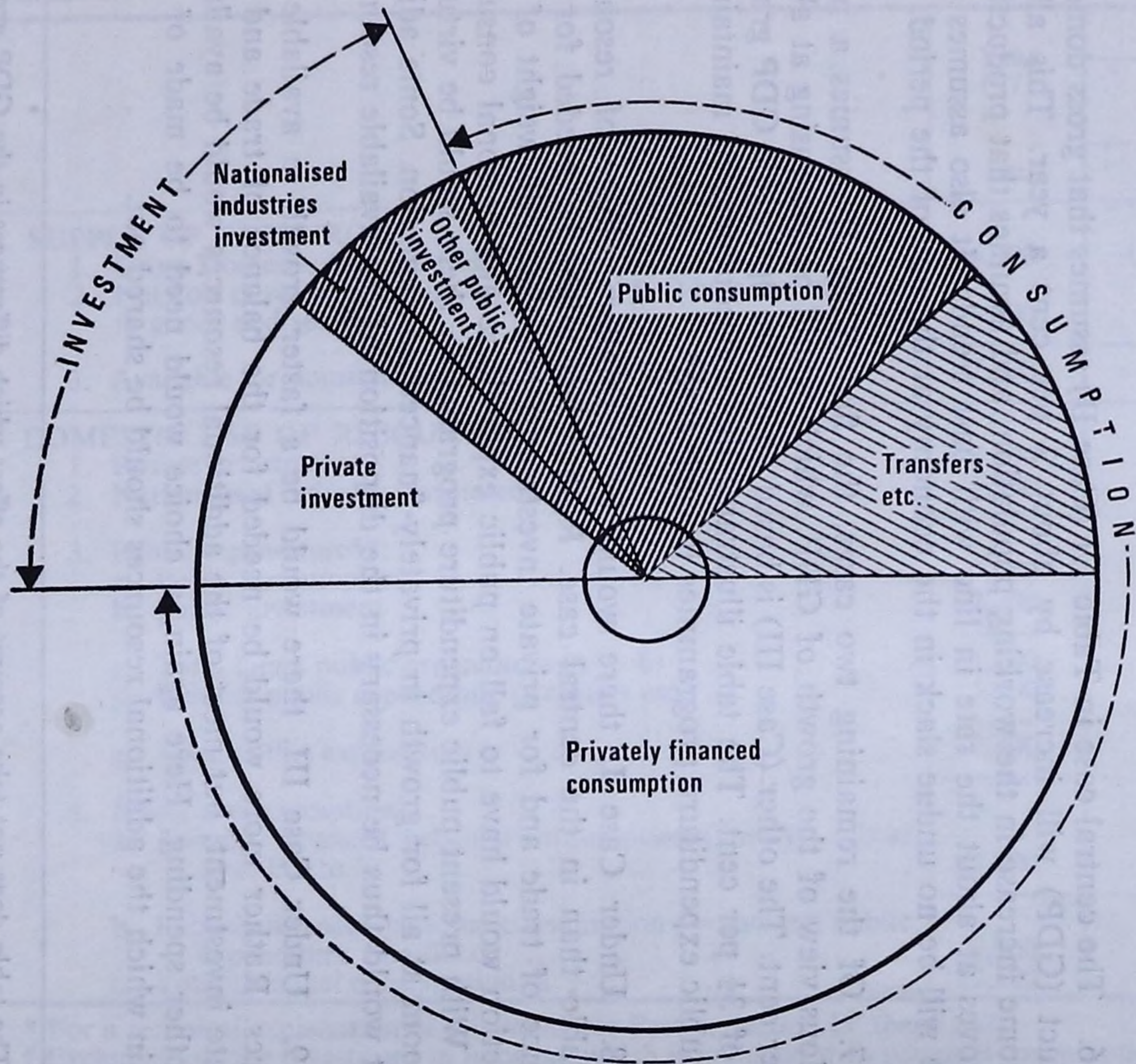
10. The distribution of total national expenditure* in 1973 is illustrated in Chart 1 on page 3.

11. In 1973, the country was using up more goods and services than it was producing, so that there was a deficit in the balance of trade. This is represented in the chart by the small inner circle. The total area outside the inner circle represents what we produced. Of what we spent, the chart shows that roughly one-fifth went on investment, and four-fifths on current consumption.

12. Of the amount spent on *investment*, 15 per cent was spent by the nationalised industries; and another 25 per cent by other public bodies, including central and local government, on schools, hospitals, houses, roads etc. 20 per cent was spent by the private sector in manufacturing industry; and the remaining 40 per cent on other private investment, including a wide range of capital expenditure, from North Sea oil platforms to office blocks.

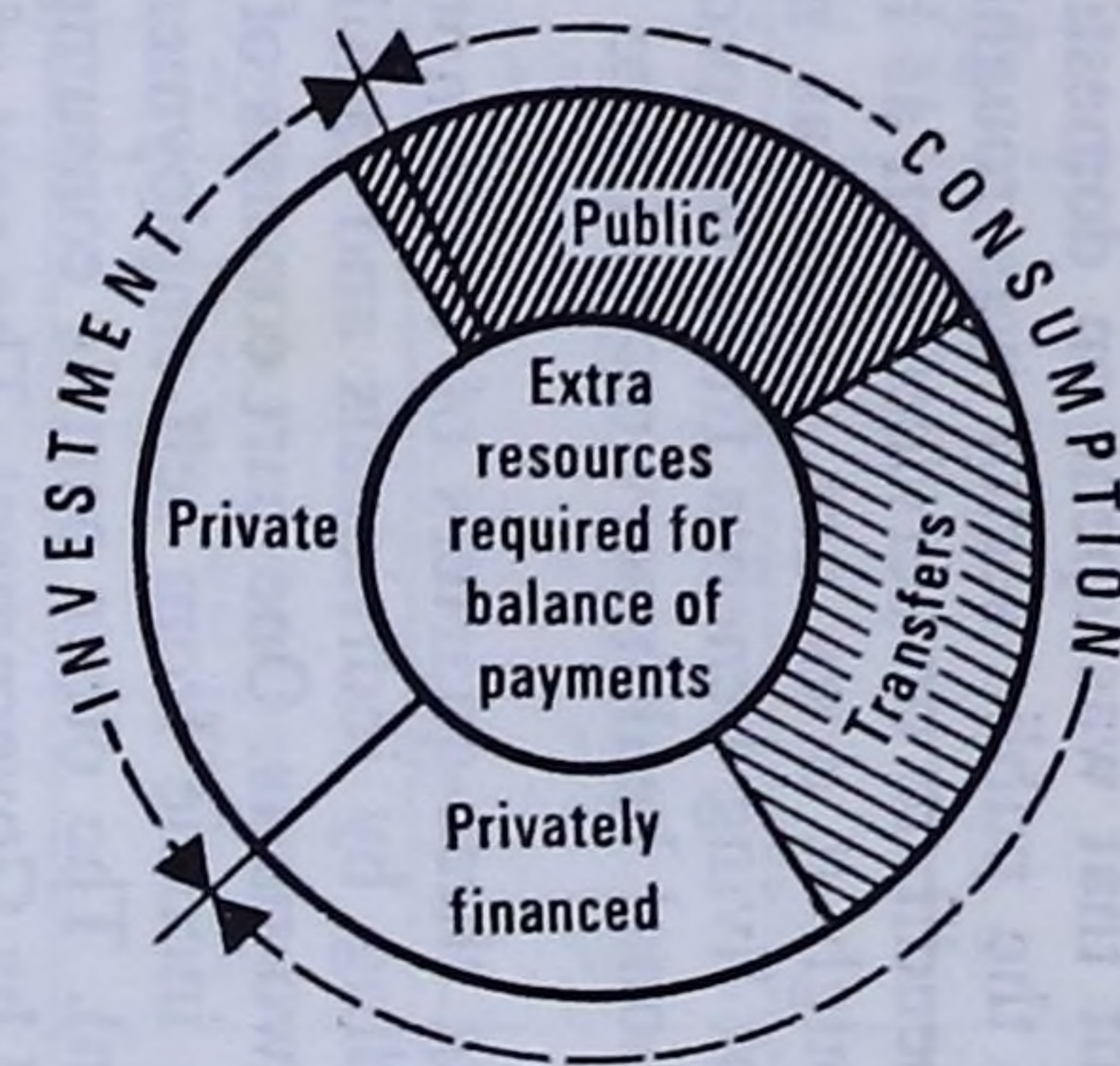
* The figures in paragraphs 10 to 32 are all at prices of 1970, which is the base year of the constant price national accounts. Expenditure is shown at factor cost, excluding net indirect taxes.


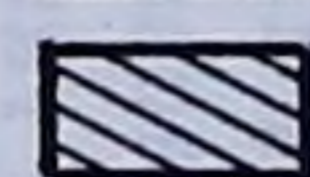
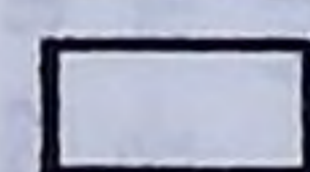
CHART 1: USE OF RESOURCES IN 1973



Note: The total area of the circle in Chart 1 represents the domestic use of resources; the small circle in the centre represents the net inflow of resources from overseas (i.e. the deficit on the balance of payments); and the remainder resources produced at home (the GDP).

CHART 2: USE OF THE INCREASE IN RESOURCES BETWEEN 1973 AND 1979



-  Public
-  Private but publicly financed
-  Privately financed

Note: The total area of the circle in Chart 2 represents the increase in home-produced resources (the GDP); part of this increase will be needed to rectify the balance of payments (the centre circle) while the rest will be available for use at home.

13. Of the amount that was spent on domestic *consumption*, the share consumed directly by the public sector was roughly a quarter. This covers national and local expenditure on services such as health, education, defence, and the police. Although it does not appear as money in the individual's pocket, his standard of living benefits from the provision by the community of, for example, a national health service and free education.

14. The remaining three-quarters of consumption consisted of personal consumption, ie spending by individuals and families. As the Chart shows, this in turn falls into two parts. One part consists of goods bought with wages and salaries and with income from self-employment and profits ("privately-financed" consumption). The other part is consumption financed by benefits and subsidies provided by Government. The cost of providing these "transfer payments" is included in total public expenditure, and affects the general level of taxation, but the goods bought with them form part of personal consumption.

The use of resources to 1979

15. How will this picture change over the period to 1979? Clearly there are big uncertainties in looking this far ahead. Table 1.1 therefore illustrates a range of possibilities, based on different rates of growth of domestic output.

16. The central case in Table 1.1 (Case II) assumes that gross domestic product (GDP) will increase by about 3 per cent a year. This allows for some increase in the working population, and assumes that productivity improves at about the rate in line with past trends. It also assumes that there will be no undue slack in the economy at the end of the period.

17. Of the remaining two cases, the first (Case I) assumes a more cautious view of the growth of GDP, which would be increasing at about $2\frac{1}{2}$ per cent. The other (Case III) is based on a more optimistic GDP growth rate of $3\frac{1}{2}$ per cent. The table illustrates the consequences of maintaining the public expenditure programmes in each case*.

18. Under Case I, there would be a smaller volume of resources available than in the central case. Rather less might be needed for the balance of trade and for private investment; but the main weight of the reduction would have to fall on public expenditure and personal consumption. With present public expenditure programmes, there would be virtually no room at all for growth in privately-financed consumption. Some adjustment would thus be necessary in the disposition of the available resources.

19. Under Case III, there would be a faster growth in available resources. Rather more would be needed for the balance of trade and for private investment, but most of the additional resources would be available for other spending. Here again, a choice would need to be made of the way in which the additional resources should be shared out.

* The table does not take account of the effect which differences in the GDP growth rate might have in practice on the need for nationalised industry investment, and on the level of those social security benefits which are linked to earnings.

The Growth and Use of Resources, 1973-1979*

in demand terms at 1970 factor cost prices

TABLE 1.1

	Year 1973	Average annual increase 1973-1979					
		Case I (2½% growth)		Case II (3% growth)		Case III (3½% growth)	
		£m.	%	£m.	%	£m.	%
A. SUPPLY OF RESOURCES:							
1. Gross Domestic Product (GDP)...	46,900	1,250	2.5	1,520	3.0	1,790	3.5
2. Net flow of resources into (+) or out of (-) balance of trade in goods and services ...	-900	290		360		420	
3. Available for domestic use (line 1 minus line 2) ...	47,800	960	1.9	1,160	2.3	1,370	2.7
B. DOMESTIC USE OF RESOURCES:							
1. Private investment† ...	5,300	290	4.8	330	5.4	390	6.4
2. Nationalised industry investment ...	1,300	50	3.6	50	3.6	50	3.6
3. Public expenditure**:							
a. Public consumption ...	9,500	270	2.7	270	2.7	270	2.7
b. Public investment ...	2,200	-30	-1.5	-30	-1.5	-30	-1.5
c. Total direct public expenditure (a + b) ...	11,700	240	1.9	240	1.9	240	1.9
d. Indirect public expenditure (transfers etc.) ...	5,700	280	4.4	280	4.4	280	4.4
e. Total public expenditure (c + d) ...	17,400	520	2.8	520	2.8	520	2.8
4. Personal consumption:							
a. Privately financed personal consumption (line A.3 minus lines B.1 to 3) ...	23,800	100	0.4	260	1.1	410	1.7
b. Publicly financed personal consumption (= indirect public expenditure, line B.3.d) ...	5,700	280	4.4	280	4.4	280	4.4
c. Total personal consumption (a + b) ...	29,500	380	1.3	540	1.8	690	2.2

* For a technical explanation of this table, see Part 4, Section IV (page 167).

† Excluding private investment in housing, which is included with personal consumption.

** Excluding nationalised industry investment. The coverage of the public expenditure figures given in Section B.3 of this table differs in some respects from that used generally in this White Paper, for the reasons explained in the notes in Part 4, Section IV (page 167).

The central case

20. Under the central case, the average increase in GDP each year would be about £1,500 million*. The allocation of these additional resources is illustrated in Chart 2 on page 3.

21. A substantial part of the average annual increase—about £360 million—would need to be absorbed by the balance of payments as the external deficit is eliminated. This is represented by the inner circle in Chart 2.

22. Since 1973, the increase in oil prices has greatly increased the external deficit. This cannot be dealt with all at once. Until the oil-producing countries are able to absorb goods and services to match their new wealth, massive international borrowing is inevitable.

23. Such borrowing will however mean that we shall have to find more resources later on to service our increased debt. Part of the shift of resources into the balance of payments will be accomplished by substituting North Sea oil for imported oil. But a substantial part of the shift can only be achieved by expanding our exports of goods and services faster than our imports.

24. Next, investment. In the private sector, investment (including stockbuilding) rose sharply in 1973 but a substantial further increase in private industrial investment will be needed between 1973 and 1979 in order to match a 3 per cent growth rate in GDP. North Sea oil exploration and extraction will also require a massive investment programme. Private investment**, therefore, is estimated to rise by 5.4 per cent a year over the period and to take £330 million of the average annual increase in resources.

25. Investment in the nationalised industries is estimated to rise on average by 3.6 per cent a year, in order to provide adequate supplies of energy and other basic services. This takes a further £50 million from the annual increase in available resources.

26. After taking account of these requirements an average annual increase of £780 million remains available for other public expenditure and personal consumption**. This is equivalent to an average growth rate of 1.8 per cent a year. Under Cases I and III the rates of increase would be 1.4 per cent and 2.1 per cent respectively.

27. From this amount, provision has to be made not only for much-needed improvements in social and other public services, but also for improvements in the real level of personal consumption, including consumption by wage-earners and their families, and by pensioners. The Government's plans envisage that £240 million a year on average would be devoted to increasing public expenditure on goods and services†. Under the central case, this would leave an average annual increase of £540 million for personal consumption.

* At 1970 factor cost prices, see footnote on page 2.

** In this analysis, private investment in housing is included under personal consumption.

† Excluding nationalised industry investment.

28. Within the total of personal consumption, the priority which has been accorded to improved social security benefits means that consumption financed by such benefits will be rising faster than "privately-financed" consumption (ie mainly consumption paid for out of pay and profits). Publicly financed personal consumption is planned to rise at an average annual rate of 4.4 per cent throughout the period, while "privately-financed" consumption would be rising, under the central case, at 1.1 per cent. In the two variant cases, the rate of increase of "privately-financed" consumption would be 0.4 per cent and 1.7 per cent respectively. In all three cases, the rate of increase would be significantly less than the growth rate of output, and this suggests that there would be an increase in the burden of taxation.

29. The total of all personal consumption would be rising, under the central case, at an average annual rate of 1.8 per cent. The corresponding rates of increase in the two variant cases would be 1.3 per cent and 2.2 per cent respectively.

30. There are many uncertainties affecting, in some degree, predictions of the amount of resources available for domestic use. The underlying rate of growth in productivity is itself an uncertain factor. It is impossible to predict when the Government's industrial and general economic policies will mature in an improvement of this rate. It would be imprudent in planning resources to count on this improvement until it can be seen to be achievable within the period under review. We must also recognise that world conditions may make it impossible to maintain a rate of growth of output similar to the rate of growth of productive potential.

31. International uncertainties—for instance, in relation to the expansion of our export markets—may also affect the resources available to us for domestic use. The variants in the table can be regarded only as giving a very broad illustration of the combined effect of possible changes both in the growth of GDP and in other variables affecting the level and allocation of available resources. But less favourable outcomes remain possible.

32. If, for example, for such reasons as have just been mentioned, the prospect for the availability of resources were to become significantly worse than the lower variant and the public expenditure programmes of this White Paper were nevertheless maintained, this would mean an actual contraction over the period to 1979 in resources available for privately-financed consumption. Alternatively, in such a case the estimated levels of privately-financed consumption could be attained only by adjustments in the policies embodied in this White Paper. The Government will continue to assess all these factors, and the way in which they relate together, and to re-appraise the programmes accordingly.

Public expenditure—Allocation to programmes

33. The second main aim of the Government's review of public expenditure has been to look at the priorities attaching to the various programmes and adjust them in the light of the Government's general social, industrial and economic policy. The general analysis in the following paragraphs indicates the main *priority* areas, and distinguishes the main trends in public expenditure on *goods and services* and on *transfer payments*. Except where otherwise stated the figures are at constant 1974 Survey prices*.

* See the notes in Part 4, Section II, page 164.

General priorities

34. An indication of the Government's general priorities has already been given in the introduction to this White Paper. In the social field there have already been substantial increases in some programmes, including social security benefits, housing, and expenditure on various forms of price restraint. The Government have carried out their pledge to increase retirement pensions to £10 for a single person and £16 for a married couple. Expenditure on pensions and other long-term benefits will grow in real terms during the Survey period as they will in future be uprated in line with earnings. New forms of help will be introduced for the disabled and plans for a better long-term pension scheme have been published. Family allowances will be increased in April 1975; and support for families will be extended by a new scheme for child benefits, covering all children including the first, as soon as resources and administrative considerations allow. The figures for social security in this White Paper make no specific provision for the child benefits scheme and additional expenditure devoted to this would be a charge on the contingency reserve.

35. On housing, the public investment programme has already been stepped up, and housing subsidies have also been greatly increased. Restraint of rents and prices has been a key element in the Government's immediate contribution to the restraint of inflation. Rents cannot however stay frozen indefinitely, and the rent increase in 1975-76 is being moderated by a special subsidy limited to that year only.

36. As regards other price subsidies, there is a conflict, particularly with regard to the nationalised industry subsidies, between the objective of price restraint and the need for the containment of budgetary imbalance and for economy in using resources to which the subsidies apply. Price subsidies in the nationalised industries are therefore to be phased out; and the Government will also aim to reduce expenditure on food subsidies during the course of the Survey period.

37. The other main priority area is expenditure designed to increase efficiency and output. The expenditure programmes will contribute to this through the productive investment of the nationalised industries; through regional and industrial support; and through manpower and training policies directed towards the improvement of the industrial base and better utilisation of labour in the economy, and hence to future growth. Priority will also be given to a policy of continued support for efficient agricultural production.

38. Some industrial policies, notably those associated with the National Enterprise Board and nationalisation measures, have not yet been fully developed, and the specific provision for industrial expenditure in this White Paper thus certainly understates the likely future level of spending, which will require some call on the contingency reserve.

39. The expenditure programme figures given in this White Paper reflect the broad priorities indicated in the preceding paragraphs. Given the general limitation on resources, additional expenditure on services of high priority must however inevitably imply tighter restraint on other services. This restraint has applied especially to capital expenditure as well as to current expenditure on many programmes. While the programmes generally allow for continuing real improvement over the period, the pace of improvement must be governed by the resources available, and no programme, however great its priority, can be left free to grow without taking account of the general economic constraints. Priorities will also need to be rigorously established in the administration of the various programmes and greater stress will need to be placed on getting the best value for money.

40. These considerations apply particularly to expenditure by local authorities, which is analysed in Tables 2.18 and 3.9 on pages 130 and 156. In the three years since 1971–72 current expenditure by local authorities has been rising at an annual rate of about 8 per cent, and their current expenditure on goods and services at about 5½ per cent. In present economic circumstances, growth rates which so far outstrip the growth of national resources cannot be accommodated. The growth rates indicated in this White Paper represent the most which, in the Government's view, can now be afforded. Local authorities' expenditure, and their demand on manpower, will therefore need to be subject to continuing restraint, and the Government will be in close touch with the authorities to consider the best ways of achieving this.

Goods and services

41. Table 1.2 shows public expenditure on goods and services, analysed by main programme, in 1973–74, 1974–75 and 1978–79. The increase between 1973–74 and 1978–79 is equivalent to an average annual increase of 2.4 per cent.

42. About half of public expenditure on goods and services is accounted for by three large programmes—health and personal social services, education and defence. These are programmes where current expenditure predominates, largely reflecting their substantial use of manpower. The next group in terms of size—nationalised industry capital investment, housing, roads and transport, and other environmental services—all have a large capital expenditure content. Between them they account for over three-quarters of public investment.

43. Of the programmes which account for the bulk of investment expenditure, most of the increase goes to capital investment in the nationalised industries, reflecting general priority given to greater productive investment.

**Public Expenditure on Goods and Services
Investment and Consumption
1973-74, 1974-75 and 1978-79**

TABLE 1.2

1974 Survey prices

	1973-74	1974-75	1978-79
	£ million		
Defence and external relations:			
1. Defence	3,588	3,520	3,805
2. Overseas services	158	171	174
Commerce and industry:			
3. Agriculture, fisheries and forestry	108	100	116
4. Trade, industry and employment	382	436	389
Nationalised industries:			
5. Nationalised industries' capital expenditure ...	1,854	2,075	2,499
Environmental services:			
6. Roads and transport	1,297	1,236	1,299
7. Housing	1,379	1,712	1,481
8. Other environmental services	1,493	1,384	1,570
9. Law, order and protective services	1,007	1,040	1,202
Social services:			
10. Education, libraries, science and arts	3,492	3,564	3,907
11. Health and personal social services	3,759	3,829	4,258
12. Social security	255	275	272
Other services:			
13. Other public services	445	476	470
14. Common services	479	494	636
15. Northern Ireland	461	535	593
Total*	20,157	20,847	22,671
Average annual percentage increase to end of period...	2.4	2.1	

* Excluding any use of the contingency reserve, and before making the general deduction for shortfall referred to in paragraph 55 below.

44. Investment in housing has been increased very substantially in 1974-75. The subsequent reduction does not represent a decline in new building but reflects the expected reversion to lower levels of expenditure on improvement and renovation following a period of intensive activity by many local authorities. The figures also do not include the large and growing amount of publicly-backed housebuilding by housing associations (grants and loans to these by the Housing Corporation and by local authorities are included in Table 1.3).

45. Little change is planned in expenditure on roads and transport. Capital expenditure on other environmental services has been reduced, but that on water and sewerage is planned to recover significantly: much of this is in support of the housing programme.

46. Of those programmes where current expenditure predominates the bulk of the increase is devoted to health and personal social services and to education. The trade, industry and employment programme provides for industrial training to be built up and for increases in other employment and manpower services during the Survey period. A substantial increase is also planned on expenditure on law, order and protective services.

47. The forecast expenditure on defence takes account of the announcement by the Secretary of State for Defence on 3 December 1974*. By comparison with previous plans, it represents a reduction in 1978-79 of about £500 million.

* House of Commons Official Report, columns 1351-1357.

**Public Transfer Payments
Grants, Subsidies, Loans, Interest
1973-74, 1974-75 and 1978-79**

TABLE 1.3

1974 Survey prices

	1973-74	1974-75	1978-79
	£ million		
Defence and external relations:			
1. Defence	16	18	22
2. Overseas services	495	594	690
Commerce and industry:			
3. Agriculture, fisheries and forestry	501	1,175	598
4. Trade, industry and employment	1,785	1,972	971
Nationalised industries:			
5. Nationalised industries' capital expenditure	13	37	-1
Environmental services:			
6. Roads and transport	280	491	515
7. Housing	1,361	1,904	2,196
8. Other environmental services	29	37	41
9. Law, order and protective services	10	15	19
Social services:			
10. Education, libraries, science and arts	967	943	1,088
11. Health and personal social services	28	31	38
12. Social security	6,205	6,588	7,658
Other services:			
13. Other public services	29	28	21
14. Common services	—	—	—
15. Northern Ireland	385	484	440
Total programmes*	12,104	14,317	14,296
Debt interest... ..	3,740	3,800	3,400
Total*... ..	15,854	18,117	17,696
Average annual percentage increase to end of period (excluding debt interest and investment grants)	3.7	0.2	

* Excluding any use of the contingency reserve, and before making the general deduction for shortfall referred to in paragraph 55 below.

Transfer payments

48. Table 1.3 shows expenditure on transfer payments and net lending, analysed by main programme, in 1973-74, 1974-75 and 1978-79. Excluding investment grants and debt interest, which is treated as a special category and not allocated to specific programmes, the increase between 1973-74 and 1978-79 is equivalent to an average annual increase of 3.7 per cent.

49. About half of the total expenditure (excluding debt interest) consists of social security payments, including pensions, family support, and supplementary benefit. In the present financial year these amount to around £6,600 million. A further £2,000 million goes on the trade, industry and employment programme: including support for nationalised and private industry, regional industrial aids, refinance of export credits, and, at present, compensation to nationalised industries for price restraint.

50. Housing subsidies and loans amount to nearly £2,000 million. Education grants, at about £1,000 million, comprise mainly grants to universities (which in fact largely represent a direct claim on goods and services): and grants to students for fees and maintenance. The figure for agriculture (about £1,200 million) includes agricultural support and food subsidies. Overseas services (£600 million) includes both overseas aid and net payments to the European Economic Community.

51. The total expenditure on transfer payments and net lending in 1978-79 is planned to be £2,200 million higher than in 1973-74. About two-thirds of this amount will go towards improving social security payments, but there are also substantial changes each way in some other programmes. The forecast fall in trade, industry and employment, for example, reflects the phasing out of price restraint subsidies to nationalised industries, although regional industrial assistance, also in the same programme, is forecast to increase substantially.

52. The reduction under agriculture reflects the intention that food subsidies should be reduced by the end of the period. Housing subsidies will rise because of increases in the publicly owned housing stock and higher average loan charges. Net lending for house purchase has already been substantially increased. The rise in education grants reflects the forecast growth of the student population.

Total public expenditure

53. To the expenditure totals given in Tables 1.2 and 1.3 and described in the preceding paragraphs, a contingency reserve has to be added to cover new developments which may arise during the Survey period. This reserve is also intended to cover the cost of those policies which have been announced in general terms but whose detailed application, and timing, have not yet been determined to the point where the annual cost can be quantified and included in the relevant expenditure programme.

54. The amount provided for the contingency reserve, expressed in demand terms, rises to £750 million in the final year of the Survey period. Further information on the contingency reserve is given on pages 125 and 126 in Part 2.

55. A global deduction is also made in the light of past experience that the real level of total expenditure tends to fall short of the aggregate of programme totals. This deduction is also explained in greater detail on pages 125 and 126 in Part 2.

56. The detailed Tables 3.1 and 3.2 on pages 138 to 141 in Part 3 bring together public expenditure of all kinds, including expenditure both on goods and services and on transfer payments etc. as well as the contingency reserve and the shortfall deduction. The programme figures in Table 3.1 are in volume terms, that is to say they show the expenditure at constant 1974 Survey prices, as in Tables 1.2 and 1.3 above and in the detailed programme tables in Part 2. Such figures do not however fully reflect the cost involved, because on average the prices which are important for public expenditure tend to rise faster than prices in general. It is possible, although only in a very broad way, to adjust the programme figures to take account of this "relative price effect"*, and this is done in Table 3.2.

* See Part 4, Section II on page 164.

57. Changes in this aggregate of public expenditure are important for the financing requirement, which is relevant to the Government's ability to manage the public debt and to control the money supply. However, as explained in paragraph 53 above, the future level of the aggregate will also be affected by expenditure on certain policies which at present are a potential charge on the contingency reserve. For the purpose of resource planning over the next four years, the important measure is the growth in the demand which public expenditure (inclusive of the contingency reserve) is expected to make on resources.

58. For this purpose, the starting point adopted was the level of expenditure in 1974-75 as forecast at the beginning of the expenditure review, including the cost of the measures which had been taken, at or around the time of the March Budget, immediately after the Government's entry into office. Starting from that point, total public expenditure is planned to grow on average by $2\frac{3}{4}$ per cent a year, in demand terms, during the remainder of the Survey period. If account is also taken of subsequent developments affecting the real level of expenditure in 1974-75, the average annual growth rate, in demand terms, from 1974-75 to 1978-79 is estimated at about $2\frac{1}{4}$ per cent.

59. More detailed information about individual programmes is given in Part 2 of this White Paper. Part 3 contains, in addition to the summary tables mentioned above, a number of further special analyses by economic category and spending authority; and a summary of the comparison between the figures in this White Paper and those in the previous White Paper (Cmnd 5519) revalued to 1974 Survey prices.

PART 2

Public Expenditure—The Individual Programmes

INTRODUCTION

1. As in previous years this part of the White Paper contains separate chapters on each of the main programmes. Each chapter starts with a table analysing the figures by programme and sub-programme. In some cases the presentation is assisted by diagrams, included this year for the first time, to illustrate the major components of expenditure. There is a separate chapter (Chapter 16) on the contingency reserve and the general deduction for shortfall.

2. In describing the programmes account has been taken of suggestions made in the past by the Expenditure Committee for improving presentation. More non-financial information is included.

3. The tables include a comparison between the figures in this White Paper and those in the last White Paper (Cmnd 5519). The changes in expenditure between the two White Papers represent the differences between two sets of chosen policies. But in comparing them two points should be borne in mind. First, the status of Cmnd 5519 is uncertain because the Government of the time, having announced reductions for 1974–75 on the day when the White Paper was published, also said that their programmes for the later years would be reviewed, but had not carried out this review before they left office. Second, the differences between the figures in the two White Papers include changes in the information on which the estimates were constructed.

4. The figures in Cmnd 5519 were expressed in that White Paper as being at 1973 Survey prices. For the purpose of comparison with the figures in this White Paper the figures in Cmnd 5519 have been revalued to 1974 Survey prices (see the glossary in Part 4 for a definition of “revaluation”).

5. The summary tables analysing expenditure by main programme in cost and volume terms published as Tables 2A and 2B in Cmnd 5519, are this year included in the statistics in Part 3 (Tables 3.1 and 3.2).

TABLE 2.1

	1969-70	1970-71	1971-72
Defence Budget	3,776.6	3,724.0	3,768.1
National accounts adjustments*	-2.0	-40.7	-21.1
Total	3,774.6	3,683.3	3,747.0
Changes from Cmnd 5519 revalued			
Defence Budget			
Policy changes	...	...	...
Other changes	...	...	...
Cmnd 5519 revalued	...	...	...
National accounts adjustments			
Other changes	...	...	...
Cmnd 5519 revalued	...	...	...

* Mainly in respect of U.S. military aircraft; see footnote on page 13 of "Public Expenditure White Paper: Handbook on Methodology" (HMSO).

1. The defence budget covers all expenditure by the Ministry of Defence as well as expenditure by the PSA on works for defence. Since the last White Paper (Cmnd 5519) the financing of the Royal Ordnance Factories (ROF's) has been transferred from Votes to a trading fund in accordance with the Government Trading Funds Act 1973; and their capital expenditure (including working capital) is now no longer part of the Defence budget, but is included in National accounts adjustments shown in Table 2.1 above; figures for earlier years up to 1975-76 have been adjusted accordingly.

2. The Secretary of State for Defence announced on 21 March 1974 that the Government were beginning a review of current defence commitments and capabilities against the resources that, given the economic prospects of the country, could be afforded for defence. The Government's provisional conclusions following this Defence Review were announced in the House of Commons on 3 December 1974 in a further statement by the Secretary of State for Defence in which he stated that the Government would achieve savings as compared with previously planned levels of Defence expenditure of £300 millions in 1975-76 rising to £500 millions in 1978-79. At the same time the Government initiated thorough-going consultations on the Defence Review with NATO and other Allies, and these are continuing. Once the consultations with the Allies have been completed, and the Government's final decisions have been taken, a detailed account of the outcome of the Defence Review will be given in the 1975 Statement on Defence. The figures for the defence budget in the first line

£ million at 1974 Survey prices

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
3,693.5	3,633.4	3,560.0	3,700.0	3,800.0	3,800	3,800
-41.4	-29.0	-21.6	2.7	18.4	30	27
3,652.1	3,604.4	3,538.4	3,702.7	3,818.4	3,830	3,827
	—	-261.8	-300.0	-270.0	-350	
	-225.6	-51.0	+71.2	+134.4	+167	
	3,859.0	3,872.8	3,928.8	3,935.6	3,983	
	-9.5	-10.1	-3.2	-0.3	—	
	-19.5	-11.5	5.9	18.7	30	

of the table from 1976-77 onwards are provisional pending final Defence Review decisions, after completion of the process of consultation with the Allies.

3. Within these defence budget figures provision is made for the present estimated cost of peace-keeping operations in Northern Ireland.

CHANGES IN EXPENDITURE

4. The bulk of the policy changes result from the Defence Review itself, but also take into account the decision not to proceed with the Third London Airport for which sums were previously included in the Defence Budget mainly to cover the cost of relocating certain facilities now at Shoeburyness.

5. The other changes shown under Defence Budget in the table consist of estimating adjustments for the years from 1975-76 onwards including a reassessment of the cost of the previously planned defence programme especially for 1977-78 for which the Cmnd 5519 figure was provisional. They also include extra costs for additional Service manpower, and peace-keeping operations in Northern Ireland together with adjustments consequent upon the abolition of the Purchasing (Repayment) Services Vote, which were foreshadowed in paragraph 4 on page 19 of Cmnd 5519 but not provided for in the Cmnd 5519 figures:

TABLE 2.2

	1969-70	1970-71	1971-72
Overseas representation	93.7	95.0	96.5
Overseas information	40.8	41.2	41.4
Other external relations	51.6	49.0	49.2
Military aid	15.2	12.2	10.7
Total	201.3	197.4	197.8
Overseas aid ⁽¹⁾			
(a) Aid programme	277.7	265.6	291.7
(b) Other net investment by the Commonwealth Development Corporation	-1.6	-4.3	3.8
(c) Total	276.1	261.3	295.5
Overseas aid administration	5.5	5.5	5.6
Contributions to the European Communities etc. (net)	—	—	—
Sterling Area guarantees	—	—	—
Special assistance to the Crown Agents	—	—	—
Total	482.9	464.2	498.9
Changes from Cmnd 5519 revalued			
Policy changes			
Other changes			
Cmnd 5519 revalued			

(1) Aid programme (line (a)) includes advances from the Exchequer to the Commonwealth Development Corporation (CDC) net of repayments; the total (line (c)) incorporates the net flows of funds from the CDC to overseas countries. The adjustment (line (b)) represents the difference between the two figures.

Overseas representation

1. This expenditure includes the cost of the Foreign and Commonwealth Office (FCO) in London, British diplomatic and consular representation in more than 120 countries and 8 official delegations to international organisations and conferences. It covers the cost of staff (excluding those engaged on information work) as well as their office and private accommodation abroad and official travel. It also includes the cost of the Passport Offices in London and other centres and the communications organisation in support of the Diplomatic Service.

2. The responsibility of the Diplomatic Service for representing and promoting British interests abroad includes the handling of inter-governmental relations; advice on foreign policy; protecting the interests of British nationals abroad; promoting Britain's visible and invisible exports by assisting British commercial organisations and firms and by conducting bilateral and multilateral negotiations on international trade and payments; and representing Her Majesty's Government in international organisations.

3. Expenditure by the Property Services Agency (PSA) on the Diplomatic Estate overseas accounts for about 20 per cent of this programme. The future trend of expenditure on both the Diplomatic Estate and the programme as a whole is relatively steady.

SERVICES

£ million at 1974 Survey prices

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
96.3	92.1	99.2	102.7	102.7	101	100
42.2	42.5	44.6	45.5	45.2	44	43
50.4	51.6	55.8	52.9	54.4	55	57
8.0	7.9	2.6	1.2	1.1	1	0
196.9	194.1	202.2	202.3	203.4	201	200
306.3	287.2	334.0	339.6	347.8	358	381
2.5	3.8	1.7	1.6	1.9	3	3
308.8	291.0	335.7	341.2	349.7	361	384
5.8	5.9	6.3	6.7	7.1	7	8
42.3	138.3	58.4	142.8	180.6	231	272
45.8	23.7	77.0	—	—	—	—
—	—	85.0	—	—	—	—
599.6	653.0	764.6	693.0	740.8	800	864
	—	+145.0	-2.7	-1.3	—	—
	+0.4	-54.0	-45.7	-61.5	-68	-68
	652.6	673.6	741.4	803.6	868	868

4. By comparison with Cmnd 5519 capital communications projects have been cut from 1975-76 by about £1.3 million a year, and the overseas accommodation building programme by about £1.1 million a year. The overseas accommodation capital programme was also reduced by about £2.2 million in 1974-75.

Overseas information

5. The programme continues to cover three main elements:

- (i) The cost of the BBC External Services. These broadcast in English and 39 other languages for over 700 hours a week* and aim to inform the largest possible foreign audiences about Britain and the part it plays in international trade and politics. They also supply pre-recorded programmes to overseas broadcasting stations, particularly in the field of English teaching. The expenditure covers operating expenses, such as programme staff and engineering costs, and capital expenditure on relay stations and on the modernisation of the headquarters at Bush House. Much of the cost of the BBC Monitoring Service is also included under this heading.

*See BBC Handbook 1975.

(ii) A proportion (now 67 per cent) of British Council expenditure to promote wider knowledge of the United Kingdom and the English language abroad, and to develop close cultural relations with other countries†. The Council is at present represented in 83 overseas countries but financial cuts are leading to some re-appraisal of effort. The remainder of the Council's expenditure is included in overseas aid together with its expenditure on educational activities and technical assistance schemes for the benefit of developing countries carried out on behalf of the Ministry of Overseas Development.

(iii) The cost of FCO information staff and operations at home and abroad and of supporting services of the Central Office of Information and the Stationery Office, plus part of external broadcasting relay expenditure. The aim is to ensure by personal contacts, the provision of material in all media, reference services and a programme of visits to the UK, an awareness of Britain's international role and interests; to secure, by publicity abroad, understanding of and support for the policies of Her Majesty's Government; and to achieve a favourable opinion abroad for Britain, its business and nationals.

6. The approximate breakdown of recurrent costs from 1975-76 is as follows:

(i) BBC External Services	38 per cent
(ii) British Council (FCO share)	29 per cent
(iii) FCO/COI/HMSO	33 per cent

7. Capital expenditure on an agreed programme of projects accounts for about 6 per cent of the total over the period 1974-75 to 1978-79 and varies from year to year according to project requirements.

8. The general trend of expenditure from 1975-76 onwards is slightly downwards both for the programme as a whole and for the three main elements. By comparison with Cmnd 5519 the programme has been cut by about £1½ million a year from 1975-76 onwards.

Other external relations

9. The main items of expenditure are certain overseas service pensions and various international commitments and subscriptions. These include payments under a Treasury guarantee to the International Bank for Reconstruction and Development (because of default on the part of the Government of Southern Rhodesia)*, the United Kingdom's assessed contributions to regular budgets of United Nations organisations and of the Organisation for Economic Co-operation and Development, the Council of Europe and the North Atlantic Treaty Organisation (Secretariat costs), and a grant-in-aid to the Commonwealth War Graves Commission. Extra provision has been made in 1974-75 for HMG's contribution to the United Nations Emergency Force in the Middle East and for the reinforcement of the UN Force in Cyprus.

†See British Council Annual Reports.

*Session 1972-73, HC.252.

Military aid

10. With the virtual completion of earlier capital aid programmes, this expenditure is now confined almost entirely to military training assistance, namely courses in the United Kingdom for the Service personnel of other countries, and the provision of British Service personnel on loan to developing (mainly Commonwealth) countries. By comparison with Cmnd 5519 expenditure under this heading has been reduced by about one-half from 1975-76 onwards and some preliminary reductions have already been made in 1974-75. Training in the UK now accounts for the major part of the programme.

Overseas aid

11. The figures for overseas aid set out in Table 2.2 are net of amortisation and at constant (1974 Survey) prices. They show that the aid programme will increase in real terms by some 14 per cent over the four years to 1978-79.

12. During 1974, the Government accepted in principle the United Nations target of 0.7 per cent of GNP for official development assistance. It has not been possible to set any date for reaching this target, as this must be subject to the progress of our own economy as well as to the other calls on our resources. But the upward trend in the Aid Programme provides an earnest of the Government's intention to move towards the target as and when circumstances permit. In 1973, official development assistance represented 0.35 per cent of our GNP.

13. The United Kingdom's share of the concessional aid* provided for developing countries through the budget of the European Economic Community, including the European Development Fund, will be included within the Aid Programme. The biggest single item of expenditure so far has been on food aid but the UK's share of the Community's contribution to the UN emergency operation for the developing countries most seriously affected by the recent increases in oil and commodity prices could total around £21 million, the bulk of which is likely to be disbursed during the financial year 1975-76. Disbursements arising from a British contribution to the European Development Fund and other new Community aid programmes are not now expected to occur before 1976-77.

14. The oil and commodity price rises have hit the poorer developing countries particularly hard. For this reason, greater efforts are being made internationally to channel a higher proportion of the most concessional aid to them. Many of the most seriously affected countries are among those now receiving British aid and a substantial share of our aid resources is already going to them. It is intended that they should receive a large proportion of the additional resources being made available for the Aid Programme.

15. The allocations from the Aid Programme are subject to regular review. In 1975-76, over half of the gross total is planned to go to bilateral capital aid, about a quarter to multilateral aid and about a fifth to technical assistance. The remainder will be spent through the Commonwealth Develop-

* See Part 4, Section I, page 163.

ment Corporation and on relieving overseas governments of pension liabilities in respect of British expatriates.

16. The largest single allocation of multilateral aid is for the International Development Association. Strong British support is given to the United Nations Development Programme and other UN aid and relief agencies. Regional Development Banks are also assisted by British aid funds. Aid given through efficient multilateral institutions provides a means of mobilising aid from other donors and so of increasing total aid flows. This was an important consideration in UK participation in the European Community's offer of \$500 million to the UN Emergency Fund.

17. Over two-thirds of bilateral capital aid in 1973 was in the form of loans (mainly interest free), and nearly one-third in the form of grants. The United Kingdom complied in 1973 with the main objective contained in the revised Recommendation on Terms of the Development Assistance Committee of the OECD, which came into force in January 1973. On the basis of the grant element which is the internationally recognised measure of concessionality, the UK attained an average grant element of 86 per cent (against the target of at least 84 per cent). The special DAC target for aid to the least developed countries provides amongst other things that the average grant element of all official development assistance commitments from donors should be at least 86 per cent to each least developed country over a period of three years. This is Britain's objective also.

18. During the five years 1969-1973, £515 million was committed to projects; of this 32 per cent was for economic infra-structure and 24 per cent for investment in social services. A large part of the aid provided in these two categories served rural development and was complementary to the 7 per cent of the total which was devoted directly to the development of natural resources and agriculture.

19. Technical assistance helps developing countries to overcome their shortage of skilled manpower. It includes support for the education and training of local people, the provision of people to do jobs for which there are insufficient trained personnel locally, and the support of back-up services in this country, including those of Government research organisations which are concerned with problems of importance to developing countries. British bilateral technical assistance in 1973 included the support in the developing countries of nearly 12,000 advisers, experts and teachers, and 2,700 volunteers as well as the training in the United Kingdom of some 9,200 students and over 5,700 trainees.

20. Detailed statistical information for the past five years is available in the HMSO publication "British Aid Statistics", and an account of the British Aid Programme as provided to the Development Assistance Committee of the Organisation for Economic Co-operation and Development is to be published as a White Paper.

Overseas aid administration

21. This covers the administrative expenses of the Ministry of Overseas Development. In addition to the headquarters in London the ODM maintains five Development Divisions overseas, in the Caribbean (Bridgetown), Middle East (Beirut), South East Asia (Bangkok), East Africa (Nairobi) and Southern Africa (Blantyre). The cost covers staff, accommodation and official travel both at home and overseas.

Contributions to the European Communities, etc (net)

22. The figures in this line in table 2.2 above are made up of two elements. First, the United Kingdom's payments to the budget of the European Communities, but excluding the UK share of Community expenditure programmes which are included in other functional programmes; second, certain contributions to the European Investment Bank and to the European Coal and Steel Community. The full totals of the United Kingdom's payments to the Community budget are set out in the tables in paragraph 25 below.

23. The United Kingdom's payments to the Community budget are based on the terms of the Treaty of Accession. This provides that the United Kingdom's contribution should rise in steps from 8.78 per cent of the 1973 budget to 19.24 per cent of the 1977 budget. Under the provisions of Article 131(1a) of the Treaty of Accession, the United Kingdom's contribution to the 1978 and 1979 budgets would depend in part on the amount of "own resources" collected in the United Kingdom in 1977. For the purpose of these forecasts it has been assumed that under the present budgetary arrangements the United Kingdom's percentage share of the budgets for 1978 and 1979 would be in the order of 21 to 23 per cent.

24. Following the conventions used elsewhere in this White Paper, the estimates take account only of expenditure on policies which have already been agreed. They thus exclude any allowance for policies still under discussion in the Council of Ministers. They include an allowance for the United Kingdom's net receipts from the Regional Development Fund, agreement in principle on which was reached at the Paris Heads of Government meeting on 10 December 1974. The estimates are based on the present budgetary arrangements, the impact of which, following the statements on Renegotiation made by the Foreign and Commonwealth Secretary to the Council of Ministers on 1 April and 4 June and the agreement among Heads of Government on 10 December, are currently under discussion in the Council of Ministers. The estimates use the present unit of account conversion rates; in the case of the budget unit of account £1 equals 2.4 units of account.

25. The latest estimates for the calendar years to 1979 for the United Kingdom's contribution to, and receipts from, the Community budget are as follows:

	£ million		
	Gross Contribution	Receipts	Net Contribution
1973	181	77	104
1974	180	150	30
1975	280	180	100
1976	370	205	165
1977	450	230	220
1978	505	240	265
1979	550	240	310

In financial years to 1978-79, the figures are:

	£ million		
	Gross Contribution	Receipts	Net Contribution
1973-74	200	104	96
1974-75	205	170	35
1975-76	300	170	130
1976-77	390	210	180
1977-78	460	230	230
1978-79	515	240	275

(All the figures in this paragraph are at 1974 survey prices except those for 1973-74 and 1973 which are at outturn prices. The figures for 1974 and 1974-75 reflect some technical adjustments to the UK contribution in 1974.)

26. The budget of the European Communities provides the finance for the four Community Institutions, the Council of Ministers, the Court of Justice, the Commission and the European Assembly. The expenditure of the Council, Assembly and Court of Justice is almost entirely for the administrative and running expenses of these three Institutions. The main Community policies (eg the Common Agricultural Policy, the Social Fund, aid) are financed from the Commission's expenditure which accounts for some 98 per cent of the provisions in the 1975 Community budget.

27. A range of expenditure programmes is financed from the Community budget. About three quarters of the expenditure provided for in the 1975 Community budget is for agricultural support and modernisation under the Common Agricultural Policy, some 6 per cent is for the European Social Fund which provides support for schemes for training, rehabilitating and redeploying labour and 4 per cent for aid, mainly in the form of food aid, for developing countries. The remainder of the 1975 budget includes provision for the refunds to member states for the cost of collecting "own resources" (ie customs duties and agricultural levies) from which the Community budget is in part financed, for various statistical and other studies, for the salaries and administrative expenses of the four Community institutions, for research in nuclear and other fields and for the European schools, which provide for the education of children of employees of the European Community Institutions.

28. The figures in the final column of the second table in paragraph 25 above differ from those in table 2.2 for two main reasons. The figures in table 2.2 exclude the UK share of Community budget expenditure programmes, mainly aid, which are included in other functional programmes. The figures in table 2.2 include the once-for-all contributions to the European Investment Bank and to the European Coal and Steel Community. The payments to the European Investment Bank are, first, the paid up subscriptions to the capital of the Bank amounting to £37.5 million during the first 2½ years of membership; and second, a contribution to the reserves of the Bank, amounting to approximately £20 million payable over the same period. Four of the five instalments of these contributions have been paid so far. The investment in the reserve funds of the European Coal and Steel Community is about £24 million paid in three equal annual instalments. (The sums mentioned in this paragraph are all at current prices.)

Sterling area guarantees

29. Compensation of some £59 million was paid in respect of the Sterling Agreements which expired in September 1973. Compensation payable under the six-month unilateral guarantee for the period to March 1974 totalled some £80 million.

CHANGES IN EXPENDITURE

30. There was no provision in Cmnd 5519 for payments in respect of the extension of the sterling guarantees announced in September 1973. The other changes are mainly the result of estimating changes. Provision is now made for special assistance to the Crown Agents.

3. AGRICULTURE, FISHERIES

TABLE 2.3

	1969-70	1970-71	1971-72
Market regulation and production support			
Market regulation under Common Agricultural Policy (CAP) of the EEC	—	—	—
Price guarantees on products supported by the CAP	156.0	85.8	126.6
Price guarantees on other products	13.1	29.1	39.4
Production grants and subsidies	94.8	104.5	90.2
Support for capital and other improvements	62.9	66.0	89.7
Support for agriculture in special areas	34.8	38.1	38.3
Total—Agricultural support	361.6	323.5	384.2
Other assistance to agricultural production, food processing and marketing	37.0	57.3	56.4
Food subsidies	—	—	—
Covent Garden Market Authority	3.5	6.6	5.3
Central and miscellaneous services	35.1	35.0	38.2
Total—Agriculture and food	437.2	422.4	484.1
Support for the fishing industry	12.3	15.4	13.7
Forestry	52.8	56.0	60.4
Total	502.3	493.8	558.2
Changes from Cmnd 5519 revalued			
Policy changes			
Other changes			
Cmnd 5519 revalued			

(1) Part of the expenditure on the Programme will be recoverable from the European Agricultural Guidance and Guarantee Fund. Receipts from this source are included in Table 2.2: Overseas Services.

1. The quinquennium covered by this Survey continues to contain elements of both the old system of agricultural support in the United Kingdom and the new system under the Common Agricultural Policy (CAP) of the EEC. Since Cmnd 5519 there have been a number of special measures designed to meet difficulties in the livestock sector and a major programme of food subsidies has been established. Particulars of these changes appear in the relevant paragraphs below.

2. Expenditure in Northern Ireland under the price guarantees for cereals, fatstock and potatoes and on production grants and subsidies, support for capital and other improvements and for agriculture in special areas is now included in Table 15, Northern Ireland.

Market regulation under the CAP

3. Expenditure under this heading relates to the UK cost of payments made by the Intervention Board for Agricultural Produce in implementing the Guarantee Section aspects of the Common Agricultural Policy and the Food Aid Programme of the EEC. Most of this expenditure is financed by advances from the appropriate headings of the EEC Budget—the European Agricultural Guidance and Guarantee Fund (EAGGF) and Title 9 relating to food aid. The costs of storage and financing of intervention stocks and any losses on sales are met from EAGGF and all receipts from the Community budget are shown under Table 2.2. The forecast for 1974-75

AND FORESTRY⁽¹⁾

£ million at 1974 Survey prices

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
0.3	103.5	144.8	85.7	87.8	91	91
82.3	169.2	0.3	12.8	43.3	36	18
16.6	-4.7	-0.4	8.3	8.3	8	8
74.6	57.3	111.4	62.9	26.8	33	28
77.6	73.8	67.1	51.1	50.5	53	57
37.1	38.2	59.7	47.1	46.7	47	48
288.5	437.3	382.9	267.9	263.4	268	250
99.0	75.5	271.9	-35.6	72.9	68	65
—	—	526.3	488.0 (650)	420.0 (650)	360	300
6.4	7.3	1.2	-0.4	0.6	—	—
23.3	34.4	39.3	42.1	42.3	43	45
417.2	554.5	1,221.6	762.0	799.2	739	660
17.3	18.5	15.5	17.1	16.7	16	16
60.3	35.6	38.0	37.4	37.5	38	38
494.8	608.6	1,275.1	816.5	853.4	793	714
	+39.7	+813.9	+423.4	+446.1	+382	
	-27.9	-92.4	-10.5	+23.6	+30	
	596.8	553.6	403.6	383.7	381	

allows for the gross cost of the beef premium scheme estimated at £46 million of which £20.6 million will be financed by EAGGF. It also includes the variable premium scheme for beef (£15 million), the whole of which is financed by the Exchequer. Apart from this, the slowly rising trend of expenditure over later years reflects the fact that, as the United Kingdom adjusts to Community support levels through the transitional period, refunds on exports to third countries are likely to increase.

Price guarantees

4. The Treaty of Accession provides for the United Kingdom deficiency payments for those products supported by the CAP to be ended by 1978. As indicated in Cmnd 5519, the guarantees which were given under the Agriculture Act 1957 on beef, rye, eggs and sugar beet have been discontinued. The cost of implementing the milk guarantee is treated as a consumer subsidy and is accordingly shown in the table under "food subsidies". For the remaining CAP products (cereals and fat pigs) market prices continue to be above the guaranteed price levels and the estimates for 1974-75 made no provision for deficiency payments. The 1975-76 estimate makes provision for the possibility of deficiency payments on the 1975 cereals crop and on fat pigs. Because of the difficulty of predicting the future level of world market prices, the forecasts for later guarantee years are based conventionally on minimum price levels under the CAP support system—itsself under

review—with the level of deficiency payments reducing over the period of transition to the full level of EEC support.

5. A continuation of deficiency payments has been assumed for other products—potatoes, wool and sheep—to which the CAP does not apply. The low figures for 1973-74 and 1974-75 take account of the high market prices for wool from the 1972 and 1973 clips and the recovery of past deficiency payments.

Production grants and subsidies, capital grants and support in special areas

6. The Government has reintroduced the lime subsidy and has taken a number of steps to meet the special problems encountered in the livestock sector. An increase of £10 a head in the rates of calf subsidy was introduced for a limited period from July 1974, and a special pig subsidy was paid from 25 March to 3 November 1974. In October the Government announced an increase in hill sheep subsidy rates from December 1974 and that payments in respect of claims for the hill cattle and beef cow subsidies for 1975 and subsequent years would be brought forward for payment early each year.

7. The estimates also reflect the short-term subsidy for oil used in horticulture. The figures for support in special areas now include an attribution of the additional benefits which farmers in hill areas receive under the Farm Capital Grant Scheme.

Relationship of expenditure on agricultural support to policy objectives

8. The economic conditions and prospects of agriculture in the United Kingdom are reviewed each year and the Government's conclusions are published in the Annual Review White Paper. The most recent of these White Papers was published in March 1974, Cmnd 5565. A great deal of supporting information about the industry is contained in the statistical tables appended to the White Papers. This information, which relates mainly to the most recent 5 years, provides a detailed analysis of the current situation including individual commodity trends, and developments in farm structure, efficiency and labour productivity, net farm income, and so on.

9. The Annual Review does not however attempt to make precise forecasts for the future of agricultural production, resource use, and any associated public expenditure in support of agriculture. Nor are the objectives of agricultural support policy defined in terms of specific levels of output. The future level of production depends on decisions on support and on factors which cannot be reliably predicted, such as the weather, world supply and demand for agricultural products and developments in agricultural technology. The large movements in world cereal prices between 1972 and 1973 illustrate the difficulties of prediction.

Other assistance to agricultural production, food processing and marketing

10. The figures include continuing expenditure by the agricultural departments on agricultural research, advisory services, the eradication and control of animal disease, etc. The gallonage premiums for milk from brucellosis-free herds (which had previously been recouped from the revenues from the sales of liquid milk) are now charged to this programme.

Expenditure cuts for the financial year 1974-75 included a reduction in the amount of work commissioned from Research Councils and in the programme for the improvement of wholesale horticultural markets. Following these changes the present Government has decided to resume the growth rate originally planned for expenditure on commissioned research but starting from a new lower level.

11. The figure for 1974-75 also includes £45 million in respect of Commonwealth sugar arrangements, including supplementary payments under the Commonwealth Sugar Agreement, and £150 million in respect of temporary advances to assist sugar refiners with bridging finance for exceptional transactions to ensure supplies, provision for repayments being included in the 1975-76 figure. About £3 million is included for control measures for swine vesicular disease.

Covent Garden Market Authority

12. The new Covent Garden Market at Nine Elms opened in November 1974. The figures relate to capital expenditure on the final stages of construction and estimated receipts from the sale of land at the site of the old market.

Central and miscellaneous services

13. Central services include the main expenditure by the agricultural departments on staff costs and administration of the agricultural programmes and by the Ministry of Agriculture Fisheries and Food on the administration of food subsidies. They do not include the Agricultural Development and Advisory Service (attributed to "Other assistance to agricultural production").

14. Central services also comprise expenditure by the Intervention Board on staff and administrative costs. The forecasts are framed to keep pace with expected increases in the Board's operations in the transitional period.

15. Miscellaneous services include the staff costs and maintenance of the Royal Botanic Gardens at Kew, Wakehurst Place and Edinburgh, expenditure on land management and smallholdings, assistance to crofters in Scotland, publicity and miscellaneous grants etc including payments to international organisations.

Fisheries

16. The main expenditure under this heading consists of grants and loans for new vessels and equipment and grants for the improvement of harbours, in the interests of promoting a stable fishing industry in the United Kingdom. Additional support is provided by way of research and development, fishing protection in Scottish waters and support for trawler operations under the current agreement with Iceland.

Relationship of expenditure on fisheries to policy objectives

17. The objective of this programme is to ensure a stable supply of fish for the consumer. It aims to promote the fishing industry in the United Kingdom and to reduce the nation's dependence on imports. The UK's

access to distant fisheries grounds may be changed by the outcome of the United Nations Conference on the Law of the Sea. The EEC is also developing a common fisheries policy. The structure of the UK fishing fleet is changing to meet the new situations.

18. UK landings of fresh and frozen fish (including shellfish) in 1972 and 1973 were between 900,000 and 1 million tons. They accounted for between 85 and 90 per cent of total supplies, excluding canned fish. The fishing fleet provides direct employment for about 20,000 people full time and just over 4,000 part time. In each case about half are employed in England and Wales and half in Scotland. About five times the number are engaged in ancillary and supporting activities. There were just over 6,500 vessels fishing regularly during 1973 of which over 3,500 worked from ports in England and Wales and over 2,500 from Scottish ports.

Forestry

19. This item covers the Forestry Commission's activities in promoting the interests of forestry, the establishment and maintenance of adequate reserves of growing trees and the production and supply of timber. The Commission's activities divide between the Forestry Enterprise (a Government Trading Service) and the Forestry Authority. The forecasts include interest on capital (increasing from £24.9 million to £28.0 million) and depreciation.

20. The Commission's accounts were reconstructed at 1 April 1972 to bring out its subsequent performance in relation to a target rate of return of 3 per cent in real terms on its notional capital. Separate subsidies are assessed for (i) the difference between 3 per cent and the ruling rate of interest (ii) new planting and restocking undertaken for social reasons which could not earn the target rate of return and (iii) non-commercial amenity and recreational aspects. During the quinquennium, the accounts will compare the costs incurred and the receipts from sales with the Commission's standards and will assess the divergences. A quinquennial revaluation of the growing stock will provide the basis for an appraisal of whether the target rate has been achieved over the period.

21. The Forestry Enterprise is carrying out a combined planting and restocking programme of up to 22,000 hectares a year. The size of the forest estate will increase from about 790,000 hectares to about 880,000 hectares at the end of the quinquennium with a plantable reserve of about 80,000 hectares. Approximately 850 kilometres of new roads will be constructed and about 9.8 million cubic metres of timber harvested. The Commission provide substantial recreational facilities in their forests. It is planned to provide 12 camping sites (on a commercial basis) during the quinquennium, 4 major and 21 minor information centres and 96 picnic places and viewpoints with associated parking facilities, forest walks and nature trails.

22. As the Forestry Authority, the Commission undertakes research into all branches of forestry, controls felling in private woodlands and provides grants and technical advice to private woodland owners. A new grant-aid scheme was introduced on 1 October 1974 whereby the Commission will pay grants for approved planting of timber-producing species in re-

turn for the owner accepting certain obligations in respect of the management of the woodlands designed to secure sound forestry practice, good land use, environmental benefits and opportunities for recreation. Private planting under previous grant schemes, now closed to further applications, has been about 23,000 hectares a year for the last few years.

Food subsidies

23. Under Section 1 of the Prices Act 1974 the Government have introduced a programme of consumer subsidies in order to hold down the prices of certain basic foodstuffs in the United Kingdom. Subsidies are currently being paid on bread, butter, cheese, household flour, milk and tea.

24. It has been assumed in the Survey that the subsidy programme will be held broadly at its existing level in 1975-76 and that it will be progressively reduced during the remainder of this Survey period.

25. As a result of the subsidies introduced so far, the Food Index is estimated to be 6 points below what it would otherwise have been and the saving on the Retail Price Index is estimated to be about 1½ per cent. On the basis of the National Food Survey for the second quarter of 1974 the saving for a typical family of two adults and two children is about 85p per week; the saving for a pensioner couple is over 45p per week.

26. The Exchequer contribution towards the general butter subsidy (£55.2 million in 1974-75) is borne on the vote of the Department of Prices and Consumer Protection but, together with the contribution from the Guarantee Section of the European Agricultural Guidance and Guarantee Fund (EAGGF) (£10.3 million), is paid by the Intervention Board. The cost of the social beef subsidy (£15 million in 1974-75 and £13 million in 1975-76), administered by the Department of Health and Social Security and the Department of Health and Social Services for Northern Ireland on behalf of the Intervention Board, is borne on the vote of the Intervention Board. The Guarantee Section of the EAGGF will finance 41 per cent of the cost (£6 million in 1974-75 and £5.3 million in 1975-76).

CHANGES IN EXPENDITURE

Market regulation and price guarantees

27. In the case of market regulation under the CAP, the out-turn for 1973-74 was less than forecast, mainly because the support buying of commodities did not reach the volume expected and Food Aid activities did not arise. The changes from 1974-75 onwards reflect a reduced level of expenditure in these areas; this is offset in 1974-75 by the introduction of the beef premium scheme, the variable premium scheme for beef, and by the inclusion—for the subsequent four years also—of the payment of import and export refunds on Intra-Community trade (monetary compensatory amounts). The revision of the forecasts for price guarantee in 1974-75 and 1975-76 results in reductions of £52 million and £37 million respectively compared with Cmnd 5519. Increases in the forecasts for later years follow from the conventional approach to the prediction of future market prices.

Production grants and subsidies, capital grants and support in special areas

28. As compared with Cmnd 5519, the projections show increases of

£84 million in 1974-75, £45 million in 1975-76 and about £16 million in later years. The main reasons for these increases are described in paragraphs 6 and 7 above.

Other changes

29. A major change is the provision for expenditure on food subsidies introduced during 1974 (see paragraphs 23 to 26 above). Other major changes are in respect of Commonwealth sugar arrangements, temporary bridging finance to sugar refiners and the additional commitment for brucellosis milk premiums (referred to in paragraphs 10 and 11).

TABLE 1. Expenditure on international trade

Year	1971-73	1974-76	1977-79	1980-82
Total	605	670	833	1203
1. Services	29	40	48	62
2. Industrial relations and other labour market	32	45	55	71
3. Redundancy fund payments	44	62	80	108
4. Industrial training	60	85	110	150
5. Employment services and industrial retraining	241	315	400	540
6. Functioning of the labour market	42	58	70	91
Total	1108	1305	1633	2184
7. International trade	7	10	12	16
8. Export promotion and trade co-operation	10	14	17	22
9. Financing of fixed rate export credits	15	20	25	33
10. Regulation of domestic trade and industry and consumer protection	20	27	34	45
Total	52	71	88	116
11. Safety and product quality and other services	24	32	40	53
12. Other expansion	17	23	29	38
13. Promotional schemes	25	33	41	54
14. Coal Industry Act	28	37	46	61
15. Assistance in the coal industry	32	42	53	71
16. Compensation for price restraint	35	46	58	77
17. Support for nationalised industries (other than the transport industries)	38	50	63	84
Total	218	286	360	475
18. Investment grants	45	58	73	96
19. Other support services	52	67	84	110
20. Assistance to shipbuilding industry	60	78	99	130
21. Reducing of home shipbuilding backlog	68	89	112	148
22. Promotion of tourism	75	98	124	165
23. and undertakings	85	111	140	185
24. Relative assistance to individual industrial firms	95	125	158	208
Total	507	670	851	1127
25. Industrial innovation	53	70	88	116
26. Other industrial R and D	62	82	103	136
27. Technological and industrial co-operation	73	96	121	160
28. Aircraft and aero-engine general R and D programme	84	110	138	183
29. Concorde development	95	125	158	208
30. Production	106	140	175	231
31. RB 211	117	155	195	258
32. Other aircraft and aero-engine projects and assistance	128	170	215	284
33. Space	139	183	233	306
34. Nuclear	150	198	254	336
Total	1007	1336	1666	2163
35. General support for industry	45	60	75	100
36. Regional support and reorganisation	50	65	85	115
37. Regional development grants	60	80	105	140
38. Provision of land and buildings	70	90	120	160
39. Selective assistance to industry in selected areas	80	105	140	190
40. Other regional support	90	120	160	210
41. Regional employment programmes	100	135	180	240
42. Regional expenditure under regional sections of the Local Employment Act 1972	110	150	200	270
Total	120	165	220	295

TABLE 2.4

	1969-70	1970-71	1971-72
Regional support and regeneration			
Regional development grants	—	—	—
Provision of land and buildings	18.6	17.8	13.7
Selective assistance to industry in assisted areas	—	—	—
Other regional support	6.7	5.9	7.2
Regional employment premium	166.1	154.0	140.0
Residual expenditure under repealed sections of the Local Employment Act 1972	32.4	40.5	33.6
Total	223.8	218.2	194.5
Industrial innovation			
General industrial R and D	28.4	25.9	21.5
Technological and industrial sponsorship	6.9	6.1	3.7
Aircraft and aero-engine general R and D programme	9.8	12.2	12.8
Concorde—development	81.8	83.7	75.8
production	7.7	9.7	18.1
RB 211	40.8	16.7	83.0
Other aircraft and aero-engine projects and assistance	8.5	42.2	26.8
Space	14.4	9.6	9.9
Nuclear	46.0	63.1	56.2
Total	244.3	269.2	307.8
General support for industry			
Selective assistance to individual industries, firms and undertakings	—	—	—
Promotion of tourism	7.2	8.2	14.2
Refinancing of home shipbuilding lending	—	—	—
Assistance to shipbuilding industry	11.2	0.5	7.5
Other support services	35.4	34.0	—27.2
Investment grants	727.6	661.0	519.0
Total	781.4	703.7	513.5
Support for nationalised industries (other than the transport industries)			
Compensation for price restraint	—	67.4	49.5
Assistance to the coal industry:			
Coal Industry Act	34.2	32.2	130.6
Pneumoconiosis Scheme	—	—	—
Other compensation	—	—	—
Safety and product quality and other services	0.8	0.7	0.9
Total	35.0	100.3	181.0
International trade ...			
Export promotion and trade co-operation	10.1	10.4	8.7
Refinancing of fixed rate export credits	—	—	—
Regulation of domestic trade and industry and consumer protection			
	6.2	1.6	0.5
Functioning of the labour market			
Employment services and industrial rehabilitation	32.6	34.6	37.3
Industrial training	36.7	50.6	42.2
Redundancy Fund payments	55.2	61.2	81.4
Industrial relations and other labour market services	6.0	6.2	5.5
Total	130.5	152.6	166.4

AND EMPLOYMENT

£ million at 1974 Survey prices

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
8.8	89.2	175.0	212.0	237.0	252	262
13.9	9.3	17.1	27.6	20.2	22	24
0.5	24.9	52.8	66.0	71.5	71	72
6.8	7.2	8.8	9.4	9.3	9	9
117.5	115.0	162.4	230.6	230.6	231	231
49.2	29.7	6.1	-7.8	-14.8	-12	-10
196.7	275.3	422.2	537.8	553.8	573	588
20.9	23.7	26.2	28.8	30.2	33	39
5.7	5.2	5.9	7.3	7.5	8	9
15.1	17.9	15.3	14.0	12.5	10	10
56.4	39.8	38.2	41.3	16.3	10	3
29.8	35.2	36.8	4.8	-4.7	-1	6
56.2	18.8	39.2	-14.1	-6.9	-2	-3
-2.8	33.4	10.3	—	-0.6	-1	-2
9.0	11.7	17.6	20.7	21.1	18	15
57.3	65.7	69.8	74.2	81.9	65	59
247.6	251.4	259.3	177.0	157.3	140	136
8.8	15.9	26.9	18.3	16.2	11	2
19.8	34.2	22.3	15.4	11.5	12	12
50.0	95.0	97.0	70.0	75.0	41	57
18.6	24.5	23.5	16.6	0.6	-1	-3
-26.5	-22.2	18.5	26.0	5.7	—	-2
315.9	191.0	120.0	50.5	19.5	4	1
386.6	338.4	308.2	196.8	128.5	67	67
59.5	359.2	550.0	250.0	—	—	—
124.1	280.4	75.0	50.0	35.0	31	23
—	—	60.0	40.0	—	—	—
19.9	7.3	9.7	15.1	10.3	5	3
0.8	1.0	0.8	0.8	0.8	1	1
204.3	647.9	695.5	355.9	46.1	37	27
7.7	9.3	11.4	12.1	12.0	11	11
351.4	403.7	450.0	348.0	180.0	157	157
1.0	1.6	1.6	1.3	0.9	-1	-1
46.0	50.8	47.3	59.4	63.6	66	69
59.5	64.3	84.7	137.9	146.6	160	171
55.2	35.4	44.9	55.4	52.9	53	53
37.5	6.6	7.4	9.3	9.8	10	11
198.2	157.1	184.3	262.0	272.9	289	304

Table 2.4 continued

	1969-70	1970-71	1971-72
Central and miscellaneous services			
Employment	34.2	33.8	32.8
Other	24.8	30.8	31.4
Set additional payments	43.2	10.4	0.2
British Petroleum rights issue	—	—	29.9
Total	1,533.5	1,531.0	1,466.7
Changes from Cmnd 5519 revalued			
Policy changes			
Other changes			
Cmnd 5519 revalued			

Regional support and regeneration

1. This programme covers expenditure aimed at encouraging the development of industry, and maintaining employment, in the assisted areas. Regional development grants are made available under Part 1 of the Industry Act 1972. Section 7 of that Act provides a flexible scheme of selective assistance by means of loans and grants, replacing that previously provided under the Local Employment Act 1972. The regional employment premium has been continued and the rates of payment have been doubled. The provision of factories under the Local Employment Act 1972 continues as does the use of Industrial Development Certificates to encourage the location of new or expanding industrial activities in the assisted areas.

Regional development grants

2. Regional development grants under Part 1 of the Industry Act 1972 are made towards the cost of buildings and plant and machinery at the rate of 22 per cent in the special development areas and 20 per cent in development areas. Grants are also made at 20 per cent towards the cost of buildings in the enlarged intermediate areas and in the case of a building or of any works provided before 22 March 1974 in the derelict land clearance areas. The forecasts include a provision for the extension of the assisted areas announced in August 1974 but assume that the rates of grants will remain unchanged throughout the period. The forecasts reflect the uptake of grant so far and are lower than those in Cmnd 5519.

Provision of land and buildings

3. The forecasts make provision for existing policies for land purchase and factory building; they include part of the special programme to assist the construction industry in 1975-76 announced on 11 September 1974.

Selective assistance to industry in the assisted areas

4. Assistance under Section 7 of the Industry Act 1972 is available on a selective basis to industry in the development and intermediate areas to supplement the basic regional incentives of for example regional development grants and regional employment premiums. This assistance includes, for projects which provide additional employment, loans at favourable rates, or as an alternative, interest relief grants towards the cost of finance obtained from commercial sources. For projects of modernisation or

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
32.3	49.0	36.1	34.1	35.5	36	37
30.8	33.3	39.2	36.0	33.9	34	34
0.2	0.2	—	—	—	—	—
29.9	—	—	—	—	—	—
1,686.7	2,167.2	2,407.8	1,961.0	1,420.9	1,343	1,360
	—	+189.0	+306.1	+235.0	+237	
	+107.7	+421.0	+242.9	+96.0	+98	
	2,059.5	1,798.1	1,411.9	1,090.0	1,008	

rationalisation which maintain or safeguard existing employment, loans are available at broadly commercial rates where the necessary finance cannot reasonably be obtained from the market. Removal grants are also available where a firm is moving into an assisted area. The forecasts are higher than those in Cmnd 5519 owing to the inclusion of separate provision for assistance to the shipbuilding industry.

Regional employment premium

5. Provision is made for the continued payment of the premium, as announced in the Budget in March, 1974, in respect of manufacturing establishments in development areas. The boundaries of these areas have been extended from 14 August 1974 so that additional establishments are eligible for the premium. The rates of premium were doubled as from 5 August 1974.

Other regional support

6. This heading includes expenditure by the Development Fund and by the Highlands and Islands Development Board.

Residual expenditure under repealed sections of the Local Employment Act 1972

7. The forecasts for building grants and grants under Section 4 are lower than those in Cmnd 5519 and it is expected that all payments under the repealed sections of the Local Employment Act 1972 will be completed during 1976-77. Repayment of loans will, however, continue for some years to come.

Industrial innovation

General industrial research and development

8. This heading includes the Department of Industry's Industrial Research Establishments and Computer Aided Design Centre, contract and grant support for industrial research associations and the National Research and Development Corporation and certain extramural research and development and other support. A major part of the expenditure falls within the responsibility of the Requirements Boards set up in accordance with the Policy set out in "Framework for Government Research and Development" (Cmnd 5046).

9. In addition to their work for the Requirements Boards, the Industrial Research Establishments undertake work for Government Departments, for other public authorities and for industry. They include three multi-purpose establishments (National Physical Laboratory, National Engineering Laboratory and Warren Spring Laboratory) and a more specialised establishment, the Laboratory of the Government Chemist. The present figures show research effort continuing at the level previously forecast in Cmnd 5519 except in 1975-76 where there is a small reduction.

10. Extramural support by the Department of Industry includes work on materials, marine technology, special assistance to the hovercraft industry and the grant-in-aid to the Design Council. Expenditure on special assistance to the hovercraft industry is expected to cease after 1975-76 and is currently showing an estimating reduction against Cmnd 5519. Overall the extramural expenditure is increased against Cmnd 5519. This reflects the preference of the Requirements Boards for extramural rather than intramural research and includes increased support for industrial research associations, where the method of funding is being changed from grants to contract support; the changeover should be virtually completed by 1975-76.

11. The Department of Energy's expenditure on offshore technology covers offshore geological studies, work to support the Department's statutory responsibilities for safety of offshore installations, and research and development to promote the competitiveness of British firms supplying goods and services for offshore oil and gas operations. A rise in expenditure is expected as the oil and gas fields on the UK Continental Shelf are brought on stream. Work is also being carried out by the Energy Technology Support unit at the Atomic Energy Research Establishment, Harwell for the Department of Energy to assess the possibilities of unexploited sources of energy, ie solar, wind, or geothermal energy, and on energy conservation possibilities.

Technological and industrial sponsorship

12. This programme is administered by the Department of Industry. Measures of support available to industry include cost-sharing research and development contracts, pre-production purchases of advanced machinery and equipment, and grants to the National Computing Centre. Assistance is also given to mineral exploration, under the Mineral Exploration and Investment Grants Act 1972.

Aircraft and aeroengine projects and assistance

13. The Government have announced their intention to take the aircraft industry into public ownership. Therefore, subject to the passage of the necessary legislation, they will be concerned with the finance required by the new nationalised industry to carry on its business, not only, as at present, with the Government contribution to specific projects. This is already the position with Rolls-Royce (1971) Limited which is publicly owned. Details of current Government support are given in the following paragraphs.

Aircraft and aeroengine general research and development

14. The object of this programme is to assist the civil aircraft industry to maintain its commercial competitiveness. Provision is made for research

and experimental development in the fields of airframes, aeroengines and aircraft equipment; this includes work on the reduction of aircraft noise and of pollution from engine exhaust emissions. Industry, universities and Government aircraft R & D establishments are involved. The expenditure shows a substantial reduction compared with Cmnd 5519.

Concorde

15. The estimates provide for the United Kingdom share of a) the costs of development work to a standard capable of meeting the production specification for Concorde and of obtaining a Certificate of Airworthiness, and b) the costs, net of sales receipts, of the production and support of the authorised programme of 16 aircraft. The estimates show some reduction both on development and production expenditure compared with Cmnd 5519.

RB211

16. The estimates provide for the completion of the agreed programme of development of the RB211-22 and production of the first 555 engines. Compared with Cmnd 5519 provision is now made for a Government contribution towards the cost of repairs carried out under guarantee to engines in airline service. These payments fall mainly in 1974-75. Receipts from sales are expected to exceed production expenditure in each year for the remainder of the 555 engine programme and the total cost of the project is expected to remain within the estimate given in the White Paper on Rolls-Royce Limited and the RB211 Aero-Engine (Cmnd 4860). The estimates include Government support for the launch costs of the RB211-524 for the Lockheed TriStar L 1011-200.

Other aircraft and aeroengine projects and assistance

17. Provision is made for support of the HS 146 aircraft on the basis announced by the Secretary of State for Industry in the House of Commons on 9 December 1974, and for support of the M45H engine. The estimates also take into account receipts of levies on sales of civil aircraft and engines (and spares) that were developed with Government support; and include payment to the Procurement Executive of the Ministry of Defence for headquarters services on behalf of the Department of Industry. No provision is made for unapproved aircraft or aeroengine projects.

Space

18. Provision is made for the United Kingdom's contribution towards the European Space Research Organisation's applications satellite programmes including the additional space programmes agreed at the European Space Conference in July 1973 and the cost of the work to be undertaken in connection with the bilateral agreement with the French Government concerning the Ariane Launcher. Provision is also made for a small associated programme of national research and development work.

Nuclear energy

19. As in previous years the greater part of the forecast expenditure under this heading is in respect of research and development by the Atomic Energy Authority. Provision is also made for continuing support for the international centrifuge project for enriching uranium, for providing further capital for British Nuclear Fuels Limited and the Radiochemical Centre Limited and for other miscellaneous nuclear services.

20. Expenditure on power reactor research and development over the five years to 1978-79 is estimated at £244 million, with expenditure peaking to £59 million in 1976-77. The major part of this expenditure is for continuing development of the sodium cooled fast reactor. Provision however, is also made for a start on the further development of thermal reactors, in particular the Steam Generating Heavy Water Reactor (SGHWR).

General support for industry

Selective assistance to individual industries firms and undertakings

21. This heading covers assistance under Section 8 of the Industry Act 1972, together with the £40 million assistance to International Computers (Holdings) Ltd (ICL) which is being given under the Science and Technology Act 1965, during the period 1972-73 to 1976-77. The forecasts for 1978-79 include provision for initial repayments by ICL.

22. Section 8 of the Industry Act 1972, gives general powers for financial assistance to industry where it is in the national interest, likely to benefit the economy, and cannot appropriately be provided in any other way. The provision by the Department of Industry under Section 8 of the Industry Act includes assistance to the Wool Textile Industry of £15 million during the period 1974-75 to 1977-78. Provision has only been made for projects which have been approved. Additional projects are a call on the contingency reserve. In a number of special cases, short-term guarantees have been given to major companies in financial difficulties such as British Leyland Motor Corporation and Alfred Herbert Ltd., while their longer-term position is under study.

23. All the Department of Energy's expected expenditure under Section 8 of the Industry Act 1972 is in support of companies involved in supplying goods and services for offshore oil and gas operations. The Offshore Supplies Interest Relief Grant Scheme was announced on 6 November 1973 and is designed to reduce the cost of borrowing to finance contracts for the supply of UK goods and services for fixed installations on the UK Continental Shelf. These contracts are not eligible for facilities provided by the Export Credit Guarantee Department, although supplies from overseas countries qualify for assistance under their national export credit schemes. Grants of 3 per cent a year are payable on qualifying borrowing for up to 8 years.

Promotion of tourism

24. This heading includes grants-in-aid to the British Tourist Authority and the English, Scottish and Wales Tourist Boards; expenditure on tourist projects in the development areas under Section 4 of the Development of Tourism Act 1969; and, up to 1975-76, provision for assistance to the hotel industry under Part II of that Act. More detailed information about the expenditure of the statutory tourist organisations may be found in their annual reports. The new policy guide lines for tourism announced in November 1974 are intended to shift resources from the generalised promotion of tourism, towards the development of tourism in areas of untapped potential, particularly in development areas. The financial implications of these changes are being considered but cannot be reflected in the forecasts at this stage.

Refinancing of home shipbuilding lending

25. The Department of Industry refinances a proportion of the credit provided by the clearing banks. See paragraph 40 below for more details. The figures for 1974-75 and 1975-76 include provision for taking over the remainder of a block of refinancing provided by the Issue Department of the Bank of England under previous arrangements.

Assistance to the shipbuilding industry

26. This heading includes special assistance to Govan Shipbuilders Limited and to Cammell Laird Shipbuilders Limited. The forecasts also include provision for construction grants on a tapering scale under Section 11 of the Industry Act 1972 together with repayments of loans made under the Shipbuilding Credit Act 1964, and the Shipbuilding Industry Act 1967. Assistance to the shipbuilding industry is also provided under the general programme of support for industry in the assisted areas (see paragraph 4 above). The Government have announced their intention to take the larger shipbuilding, shiprepairing and marine engineering companies into public ownership.

Other support services

27. The Secretary of State for Energy announced on 12 August 1974 that money will be spent on developing sites suitable for building concrete platforms required for the extraction of oil from the North Sea. The expenditure shown is for initial site development work needed to ensure that the platforms can be placed in position in 1977. It is intended that the constructors should be charged for the use of such Government owned facilities on a commercial basis.

28. The Anglo-Iranian Oil/Commodities deal was signed in the winter of 1973-74 when the oil crisis was at its height. The Government contracted to buy 5 million tons of Iranian crude. In return the Iranians agreed to buy £100 million worth of British goods. The overall cost of the crude including transportation, refining and distribution will be approximately £123 million. Some of the oil is being supplied to other Government departments and some to the companies supplying the goods to Iran. The remainder is being disposed of by commercial tender. The Government expects fully to recover its costs.

29. Other items included are receipts from the realisation of assets of the Industrial Reorganisation Corporation, miscellaneous loan repayments, accelerated expenditure on machine tools and the Industrial Investment Scheme for assistance to the aluminium industry. Provision is made for advances of loan capital to the National Film Finance Corporation.

Investment grants

30. Provision is made for residual expenditure on investment grants arising from contracts entered into by industry before 27 October 1970. Expenditure for the period 1974-75 onwards is now expected to be higher than was assumed in Cmnd 5519.

Other information

31. The Annual Report on the Industry Act 1972, contains a more detailed breakdown of expenditure under this Act and on regional assistance generally, together with further background material.

Support for nationalised industries (other than the transport industries)

Compensation for price restraint

32. Under the Statutory Corporations (Financial Provisions) Act 1974 the Government pays compensation to the Post Office and to the gas and electricity industries to offset deficits on their current account which result from their holding down their prices in accordance with price restraint policy. The figure for 1974-75 is expected to be about £550 million at 1974 survey prices.

33. In his Budget statement on 12 November, the Chancellor of the Exchequer said that it was the Government's objective to phase out these subsidies completely. Pending a decision on how quickly this objective is to be achieved it is impossible to make an estimate of the sums which will be required after 1974-75 and the figure of £250 million which is shown for 1975-76 is, therefore, highly tentative. The Government intends to seek further powers to make payments after the current year.

Assistance to the Coal Industry

34. All the assistance to the Coal Industry shown in Cmnd 5519 was covered by the Coal Industry Acts of 1967 and 1973. Since Cmnd 5519 was published there have been a number of developments that have made it necessary to provide further assistance outside the scope of the latter Act. Some of this is still subject to Parliamentary approval.

35. Following the Government's endorsement of the Board's "Plan for Coal" as a general strategy for the industry (see Chapter 5, paragraph 6), the National Coal Board are planning to maintain output over the next 10 years of at least 120 million tons per annum. There will however continue to be closures as reserves are exhausted. A significant part of the forecast expenditure under existing legislation relates to the financing of a special scheme for payments to redundant miners, and helping the Coal Board with other social costs arising from closures. The following table shows employment and output figures from 1969-70:

Year							Average manpower at Collieries (thousands)	NCB deep mined output (million tons)
1969-70	...	...	...	...	...	...	305.1	139.8
1970-71	...	...	...	...	...	...	287.2	133.3
1971-72	...	...	...	...	...	...	281.5	109.2*
1972-73	...	...	...	...	...	...	268.0	127.0
1973-74	...	...	...	...	...	...	252.0	97.1*

* Affected by industrial action.

Expenditure provision under the 1973 Act also covers contributions towards the cost of improved pensions for mineworkers as already agreed, and regional grants payable in 1974-75. The position in 1975-76 and later depends on decisions yet to be taken about the phasing-out of subsidies to the nationalised energy industries. Meanwhile a provisional figure of £50 million has been shown for 1975-76.

36. The NCB made a loss in 1973-74 because of industrial action. The Government is paying a special grant of £128.5 million to make this good.

37. In the Final Report of the Coal Industry Examination, the Government promised to assist in meeting the existing deficiency in the miners' pension fund. The amount and form of this assistance is still under consideration. Provision is made under the heading of "assistance to the coal industry" in Table 2.4. The Report also indicated that the Government, subject to Parliamentary approval, would be making arrangements to contribute towards relieving the Board's finances of the costs of their pneumoconiosis compensation scheme in respect of existing sufferers. This item is shown separately in Table 2.4. Parliamentary approval for these expenditures will be sought in due course.

Other Compensation

38. The Department of Energy pays compensation to the Electricity Boards in Great Britain and to the British Gas Corporation under the 1972 scheme for the acceleration of capital investment to maintain employment. This heading also covers payments by the Department of Industry under the scheme for re-adaptation assistance to steelworkers made redundant with effect from January 1973. Up to half of the cost will be re-imbursed from the EEC budget. These receipts will be credited to the Foreign and Commonwealth Office under Programme 2.

International trade

Export promotion and trade co-operation

39. This covers the Export promotion programme, directed by the British Overseas Trade Board, and subscriptions to international trade organisations. The current and forecast level of expenditure reflects the improved export promotion measures established by the British Overseas Trade Board and the response of industry to the assistance offered. About two-thirds of expenditure under this programme represents assistance to British firms exhibiting at overseas trade fairs.

Refinancing of fixed rate export credits

40. The Export Credits Guarantee Department refinances a proportion of the credit provided by the clearing banks for periods of 2 years or more, the proportion depending on the level of their current account deposits. A similar arrangement exists for shipbuilding (see paragraph 25 above). The figures are higher than those in Cmnd 5519 because they are based on more recent forecasts of current account deposits and the volume of credit outstanding. The figure for 1975-76 includes provision for taking over the remainder of a block of refinancing provided by the Issue Department of the Bank of England under previous arrangements.

Regulation of domestic trade and industry and consumer protection

41. Provision is made for expenditure by the Department of Trade for the Patent Office and associated international subscriptions and for the Department's Insurance and Companies Divisions and the Insolvency Service. Provision is also made under this programme for expenditure by the Department of Prices and Consumer Protection on the Monopolies and Mergers Commission, on the National Council of Social Service, on increased activity by Local Advisory Centres and other services for the protection of the consumer, and on standards and quality assurance. The last includes the grant-in-aid to the British Standards Institution and the

cost of the Metrication Board. In the case of the Patent Office, Companies Registration Office and the Insolvency Service statutory fees are levied towards the costs of the services provided.

Functioning of the labour market

42. This programme aims to improve the functioning of the labour market through the services provided by the Department of Employment and the Manpower Services Commission. The expenditure of the Commission and its executive arms, the Employment Service Agency and Training Services Agency, is financed by grant-in-aid and included in the provision for this programme. Also included is expenditure by the Department of the Environment on Jobcentres and Skillcentres and by local authorities on the Careers Service.

43. Certain of the schemes for training, employment transfer and rehabilitation of the handicapped (paragraphs 45, 48 and 49 below) are eligible for assistance from the European Social Fund. Such receipts are taken into account in the net contribution to the EEC etc (Table 2.2).

Employment services and industrial rehabilitation

44. The main expenditure under this heading is on the various labour market services of the Employment Service Agency (ESA). When the ESA became a statutory body on 1 October 1974 it published details of the plans and programmes which it had put to the Manpower Services Commission (MSC). These plans emphasised the need to provide a generally more satisfactory service to the labour market and to employers and job-seekers; for this purpose it was essential that the ESA should be able to attract a larger share of vacancies and job-seekers, and widen the range of occupations it serves. The establishment of new Jobcentres in place of the traditional Employment Exchanges is expected to make a major contribution towards meeting this need. The programme for opening more such centres is to continue at about 100 a year up to 1980. The quality of the service is also to be raised by increasing the degree of professionalism of employment advisers, by appropriate specialisation and by improved organisation. The Professional and Executive Recruitment (PER) aims to achieve financial self-sufficiency in the forecast period.

45. The following table gives rounded figures for past years and projected figures for future years of vacancies notified, registrations and placings. Year-to-year results are significantly affected by changes in labour market conditions; the figures for future years cannot, of course take account of these variations. The projections are therefore based on a steady improvement in results which is expected to stem from the planned development of ESA services.

Thousands

	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
1. Employment Service Agency (other than PER)										
(i) Vacancies										
Notified ...	2,100	2,200	1,900	2,100	2,700	2,600	2,600	2,700	2,800	2,900
(ii) Registrations ...	4,400	4,300	4,400	4,100	3,900	4,400	4,600	4,700	4,800	4,900
(iii) Placings ...	1,500	1,500	1,300	1,400	1,600	1,600	1,700	1,800	1,900	2,000
2. Professional and Executive Recruitment										
(i) Vacancies										
Notified ...	29	33	35	44	54	46	50	54	58	60
(ii) Registrations ...	76	84	109	118	121	136	145	155	160	165
(iii) Placings ...	12	13	12	10	8	9	10	11	12	13

The number of persons assisted to transfer fell back slightly in 1973-74 after the sharp increase in the previous year. Whilst a modest upturn has recently been observed there is unlikely to be any significant change from present levels.

Thousands

	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
Transfer Schemes										
(i) Assisted Areas	4.9	5.2	5.2	15.0	14.0	15.6	15.5	15.0	15.0	15.0
(ii) Other Areas ...	1.4	2.0	3.2	3.6	2.0	2.0	2.5	2.0	2.0	2.0
Total ...	6.3	7.2	8.4	18.6	16.0	17.6	18.0	17.0	17.0	17.0

46. In accordance with the Employment and Training Act 1973 responsibility for providing the Careers Service (formerly the Youth Employment Service) passed to local authorities in England and Wales from 1 April 1974 and the method of financing was changed accordingly. Similar change is planned in Scotland from 16 May 1975. The expenditure forecasts take account of both the increased scope and coverage of the Service and offsetting savings from the transfer of certain work to the Department.

47. Provision is made for the salaries and administrative expenses of the Manpower Services Commission.

48. Within the employment services there are specialised placing services for disabled persons together with facilities in various types of Industrial Rehabilitation Units for rehabilitating about 14,000 persons a year.

Industrial training

49. The Training Services Agency is now responsible for carrying out the policy of expanding industrial training, mainly through the Training Opportunities Scheme. The training of adults is provided in Skillcentres, colleges of further education, employers' establishments, residential colleges for the disabled and other institutions. The average period of courses in Skillcentres is about 28 weeks although the majority of courses are slightly shorter. The average length of courses in colleges of further education extends over two terms, 28 weeks; in employers' establishments it is 12 weeks. The directions in which the TSA intends to expand its programmes were indicated in a five-year plan published in May 1974.

Thousands

	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
Number trained										
(i) Skillcentres	12.7	12.5	13.6	15.8	17.1	21	22	24	25	27
(ii) Colleges of Further education	0.9	1.0	2.1	9.5	17.8	27	31	36	43	51
(iii) Employers' Establishments	—	—	0.7	6.0	5.4	7	9	10	10	10
Total	13.6	13.5	16.4	31.3	40.3	55	62	70	78	88

50. From April 1975 there is provision for funding the administrative expenses of Industrial Training Boards, and the cost of certain key training activities together with the cost of providing training services to sectors of employment not covered by Industrial Training Boards.

Redundancy Fund payments

51. In 1973-74 the number of people in respect of whom statutory payments were made out of the Redundancy Fund was 157,000. This was much lower than in any other recent year and compares with 242,000, 280,000, 388,000 and 262,000 in the years 1969-70 to 1972-73. The present provision allows for the number to return to around the level anticipated in Cmnd 5519.

Industrial relations and other labour market services

52. This grouping consists of the cost of Department of Employment staff engaged on general manpower, economic policy (manpower), industrial relations and incomes together with the new Conciliation and Arbitration Service, the Office of Manpower Economics, industrial tribunals and the Industrial Arbitration Board. Provision is made for continuing the Community Industry Scheme in which a total of 4,000 young people previously unemployed have, since its inception in 1972, been employed on tasks of social value. The future scope and organisation of the Scheme are under review.

Central and miscellaneous services

53. The content of this heading has altered substantially from that in Cmnd 5519 because of the creation of four new departments out of the Department of Trade and Industry. Included are the central salaries and general administrative expenses of the Department of Energy, the Department of Industry, including Regional Offices, together with those of the Departments of Trade and Prices and Consumer Protection, and the expenses of the Price Commission. Also included are subscriptions to international postal and telecommunications organisations and certain payments to the Post Office.

54. This heading also covers Department of Employment expenditure on services for the seriously disabled consisting mainly of grants towards the cost of Remploy Limited, local authorities and other bodies which provide employment under sheltered conditions. Details of the average number of workers employed under such conditions are as follows—

	1969-70	1970-71	1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
(i) Remploy Ltd ...	7.5	7.5	7.6	8.0	8.0	8.3	8.5	8.7	8.9	9.1
(ii) Local Authorities and Voluntary Bodies	4.7	4.8	4.8	4.7	4.8	4.8	4.9	5.0	5.2	5.3
Total	12.2	12.3	12.4	12.7	12.8	13.1	13.4	13.7	14.1	14.4

55. The other main field of expenditure is in respect of the occupational safety and health services which are being reorganised under the terms of the Health and Safety at Work etc Act 1974. The Health and Safety Commission came into being on 1 October 1974 and the Health and Safety Executive on 1 January 1975. Various government inspectorates and the Employment Medical Advisory Service were transferred to the Executive from that date.

56. Lastly, it covers the Royal Commission on the Distribution of Income and Wealth together with Department of Employment expenditure on international relations work (mainly the subscription to the International Labour Office) and central, agency and miscellaneous services. The latter represents central and common services not attributable to other employment programmes.

CHANGES IN EXPENDITURE

57. Expenditure on regional development grants was increased by the upgrading of some assisted areas in August 1974. Forecasts are, however, lower overall, reflecting the rate at which grants have been taken up so far. Expenditure on payments of regional employment premia has been increased by the decisions to continue payment beyond September 1974, to double the rate, and to upgrade the assisted areas.

58. There is increased expenditure on the RB211, including Government support for the RB211-524, but there are reductions on Concorde and the HS146.

59. The estimates of nuclear expenditure are higher than those given in Cmnd 5519 for 1974-75 onwards. This reflects increased provision for power reactor research and development following the Government's recent review of policy on nuclear reactor system (Cmnd 5695) and also revised forecasts for participation in the international centrifuge project for enriching uranium. The estimates also include for the first time provision for further capital for British Nuclear Fuels Limited and the Radiochemical Centre Limited.

60. Estimates for the refinancing of export lending and home ship-building lending differ from those given in Cmnd 5519 because they are based on more recent forecasts of current account deposits of the clearing banks and the amount of fixed rate credit which will be extended by the banks.

61. There are increases under support for nationalised industries because the deficits of the three industries (electricity, gas and the Post Office) receiving compensation for price restraint were considerably higher in 1973-74 than estimated at the time of the last White Paper. The estimate for 1974-75 is also much higher than the provisional figure then included.

5. NATIONALISED INDUSTRIES

TABLE 2.5

	1969-70	1970-71	1971-72
Expenditure on fixed assets			
National Coal Board	88.6	96.9	98.1
Electricity Council and Boards	606.0	541.0	491.0
North of Scotland Hydro-Electric Board	14.2	17.3	19.3
South of Scotland Electricity Board	89.1	98.3	94.5
British Gas Corporation	292.9	266.0	195.5
Total Fuel	1,090.8	1,019.5	898.4
British Steel Corporation	117.0	191.0	286.0
Post Office	552.3	606.7	657.5
British Airways Board	89.5	141.9	130.2
British Airports Authority	16.0	13.5	15.1
Total Airways and Airports	105.5	155.4	145.3
British Railway Board	131.9	133.6	111.6
British Transport Docks Board	21.0	15.0	14.1
British Waterways Board	1.0	1.1	1.2
Transport Holding Company	0.3	0.7	0.7
National Freight Corporation	38.9	33.5	19.7
National Bus Company	16.4	17.9	18.3
Scottish Transport Group	4.9	4.2	3.4
Total Surface transport industries	214.4	206.0	169.0
Total expenditure on fixed assets	2,080.0	2,178.6	2,156.2
Shortfall	—	—	—
Total after deduction of shortfall	2,080.0	2,178.6	2,156.2
Less: Sales of fixed assets	—63.4	—70.8	—89.5
Gross domestic fixed capital formation	2,016.6	2,107.8	2,066.7
Other capital expenditure ⁽¹⁾	—4.0	65.0	28.2
Total	2,012.6	2,172.8	2,094.9
Changes from Cmnd 5519 revalued			
Policy changes			
Other changes			
Cmnd 5519 revalued			

(1) Taking account of the deductions referred to in paragraph 37 below.

Nationalised industries

1. The energy industries together account for about 40 per cent of the total investment programme of the nationalised industries. Of the rest the most important single programmes are those of the Post Office and the British Steel Corporation.

2. The total of actual expenditure on fixed assets continues year by year to fall short of the sum of forecasts for individual industries. To present a more realistic estimate of total expenditure the shortfall provision in this White Paper has therefore been increased from £100 million in each year to £150 million in 1974-75 and £300 million for subsequent years.

CAPITAL EXPENDITURE

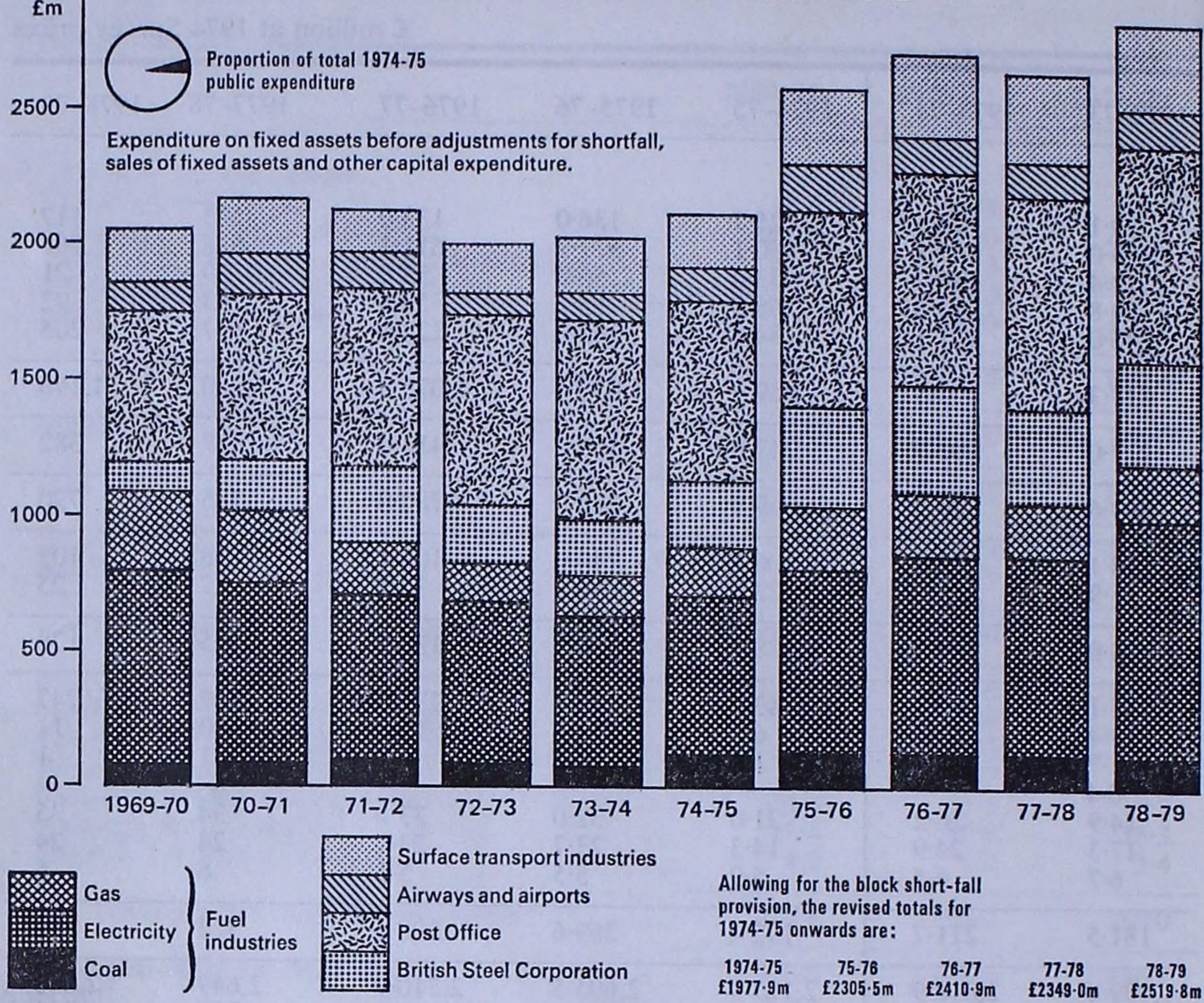
£ million at 1974 Survey prices

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
89.1	77.6	125.7	136.0	133.0	123	117
473.0	449.1	480.1	577.7	611.1	638	761
19.4	18.7	33.6	56.0	53.6	39	21
89.8	73.8	66.5	55.7	53.8	63	92
146.0	151.1	184.0	233.0	224.0	197	205
817.3	770.3	889.9	1,058.4	1,075.5	1,060	1,196
217.0	202.0	247.0	369.0	413.0	357	382
699.6	730.5	669.9	728.0	780.0	785	790
58.1	83.4	106.1	144.0	103.1	98	103
15.9	21.0	22.6	36.5	30.8	27	25
74.0	104.4	128.7	180.5	133.9	125	128
131.1	142.8	143.2	197.4	232.7	247	247
9.4	10.3	6.8	9.6	12.2	10	11
1.7	1.0	1.2	1.4	1.4	1	1
0.4	—	—	—	—	—	—
14.9	26.2	21.0	32.0	33.0	34	35
17.3	24.9	14.3	23.7	23.7	24	24
6.7	6.5	5.9	5.5	5.5	6	6
181.5	211.7	192.4	269.6	308.5	322	324
1,989.4	2,018.9	2,127.9	2,605.5	2,710.9	2,649	2,820
—	—	—150.0	—300.0	—300.0	—300	—300
1,989.4	2,018.9	1,977.9	2,305.5	2,410.9	2,349	2,520
—86.5	—88.2	—53.0	—51.3	—43.9	—38	—37
1,902.9	1,930.7	1,924.9	2,254.2	2,367.0	2,311	2,483
160.4	—64.0	187.0	49.1	26.7	21	15
2,063.3	1,866.7	2,111.9	2,303.3	2,393.7	2,332	2,498
	—	—263.0	—13.0	—24.0	—37	
	—218.5	—24.0	—294.0	—229.0	—312	
	2,085.2	2,399.2	2,609.9	2,646.8	2,681	

CHANGES IN EXPENDITURE

3. The Government's intention to reduce dependence on imported sources of energy is reflected in significantly increased investment programmes for coal and gas. Programmes other than energy were affected by the cuts for 1974-75 (totalling £282 million) announced in December 1973. More detailed explanations of changes are provided in the notes on individual programmes: of particular significance are downward revisions for the British Steel Corporation and the British Airways Board.

PROGRAMME 5. NATIONALISED INDUSTRIES CAPITAL EXPENDITURE



Fuel

Coal

4. National Coal Board capital expenditure relates mainly to coal-mining, but an increasing proportion relates to offshore exploration and development which will be taken over by the proposed British National Oil Corporation. Some expenditure relates to opencast mining and to solid smokeless fuel manufacturing, coal merchanting and chemicals. Financial assistance by the Government for the Board's current account is described in Chapter 4, paragraphs 34 to 37.

5. There are substantial increases in expenditure envisaged in Table 2.5 compared with Cmnd 5519. These are mainly attributable to the coal-mining and offshore activities of the NCB.

6. Arising out of the Coal Industry Examination the Government have approved in principle NCB's plans to spend some £600 million over the next ten years in addition to their normal £70-£80 million continuing investment on mining; individual projects will continue to be subjected to the normal investment appraisal tests. This will enable the NCB to generate over 40 million tons of new capacity to replace capacity which will be lost due to exhaustions in the period to 1985. This programme is intended to maintain deep-mined output at a level of at least 120 million tons a year over the next 10 years. The increase in expenditure from this cause compared with Cmnd 5519 is some £125 million over the 4 years 1974-75 to 1977-78 inclusive.

7. Further exploration successes in the North Sea have led to an expansion of NCB's development plans. The provision in Table 2.5 covers NCB's share of the development of the Hutton, Thistle and Dunlin fields. These plans for increased expenditure on development and a substantially expanded exploration programme together account for an increase of some £55 million compared with Cmnd 5519 over the 4 years 1974-75 to 1977-78. However, as stated in the White Paper on United Kingdom Offshore Oil and Gas Policy (Cmnd 5696) the Board's offshore oil and gas interests will be taken over by the proposed British National Oil Corporation when this is established. This element of the National Coal Board's capital expenditure will then disappear.

Electricity

8. Electricity demand for Great Britain forecast earlier in 1974 by the Electricity Council and the Scottish electricity boards is as follows—

Year	1974-75	1975-76	1976-77	1977-78	1978-79	1979-80
Sales (million kWh)	229,147	240,407	254,036	268,776	283,926	299,136
Simultaneous Maximum Demand (SMD) (million kW)	51.9	53.5	56.3	59.2	62.1	65.1

A comparison of these forecasts with those underlying the capital investment provision in Cmnd 5519 shows that, although electricity demand from 1975-76 onwards is expected to grow at about the same average annual rate (about 5 per cent a year), growth in the immediate future will be slower. Over the whole period, the figures indicate that growth will be delayed by a year compared with the forecasts made in 1973.

9. Expenditure on generation, accounting for a steadily rising proportion of the programme, depends primarily upon the forecast of SMD for six years and more ahead because of the construction time of major power stations. But other factors must be taken into account. For example, a planning margin of generating capacity over the forecast SMD is necessary to keep to an acceptable level the risks of power cuts due to plant breakdowns, exceptionally adverse weather and higher demand growth than that assumed in the forecast. This planning margin remains at 20 per cent. The estimates in Table 2.5 allow for two conventional stations to be ordered in 1975-76, although these and others in later years are subject to confirmation in the light of future load forecasts. 1975-76 is also expected to see initial commitments made by the Electricity Boards on the programme of power stations using Steam Generating Heavy Water Reactors (SGHWR's) announced by the Secretary of State for Energy in July 1974.

10. Reinforcement and extension of the transmission and distribution system accounts for about one third of the total investment by the Electricity Boards. This is more dependent upon forecasts of localised demand and economic activity two or three years ahead, and is particularly sensitive to new housing and industrial development requirements.

11. Forecasts of demand and sales, and capital expenditure necessary to meet demand, can only be broadly related. Although the investment over the next five years shown in Table 2.5 increases year by year for Great Britain as a whole, it is lower in each year than the figures in Cmnd 5519. These lower figures reflect in the main the lower SMD forecasts made by the industry in 1974 with consequent effects on plant ordering, and the

decision in July 1974 to go for an initial 4,000MW programme of SGHWR's rather than the larger programme of nuclear stations of a then undecided type for which provision was made in Cmnd 5519.

12. As the Chancellor of the Exchequer made clear in his Budget Statement on 12 November, one of the Government's objectives is to restore energy prices to realistic levels as soon as possible for energy conservation and general energy policy reasons. Realistic pricing of electricity should reduce demand and thus the capital investment necessary to meet it, and the industry's 1974 demand forecasts and the investment programmes summarised in Table 2.5 anticipate a movement towards more realistic prices.

Gas

13. The British Gas Corporation last year signed contracts with the producers in both the United Kingdom and Norwegian sectors of the Frigg field for the purchase of gas from the field rising to an estimated 1,600 million cubic feet a day by 1978. This is equivalent to about half the total quantity of gas distributed by the Corporation in the financial year 1973-74. The Norwegian government has since consented to the export of the gas from their sector. British Gas are negotiating with Shell/Esso for the gas found in association with oil in the Brent field and with British Petroleum for a small quantity of gas available from the Forties field.

14. The gas industry's capital programme at £1,043 million includes provision at current estimates for absorbing gas from the Frigg and Brent fields, and other smaller fields already under contract, during the period to 1978-79. In connection with these additional supplies work has started on the construction of a new terminal at St Fergus initially for the reception and treatment of gas from the Frigg field. Work has also started on extending the mains transmission system to the North of Scotland. Expenditure by wholly owned subsidiaries is now included in the forecasts following their consolidation in the new form of accounts agreed for the Corporation. Expenditure on fixed assets by the subsidiaries, estimated at £80 million over the period, relates to development of offshore and onshore gas and oil discoveries in partnership with the private sector and to further exploration work.

15. The programme for 1974-75 to 1977-78 (excluding expenditure by wholly owned subsidiaries) shows an increase of £100 million on Cmnd 5519. This increase is mainly attributable to the provision now included for absorbing gas from the Brent field.

16. Sales of gas during 1973-74 rose by 12.8 per cent over the level established in the previous year with daily deliveries averaging 3,000 million cubic feet. Industrial sales in particular continued to expand strongly and in 1973-74 more gas was sold in this market than in the domestic market. Total gas sales during the past five years in the main markets were—

				million therms				
				1969-70	1970-71	1971-72	1972-73	1973-74
Domestic	...	...	...	3,362	3,653	4,045	4,603	5,035
Commercial	...	...	...	714	776	877	1,046	1,153
Industrial	...	...	...	1,159	1,704	3,070	4,530	5,299
Total gas sold	...	...	...	5,235	6,133	7,992	10,179	11,487

17. Until the Frigg field comes into production, scope for further significant increases in the supply of gas to consumers is limited. In the interim the Corporation are planning to meet expected domestic demand and reasonable levels of expansion from other tariff customers. An indicative breakdown of possible sales by market category is as follows—

	million therms				
	1974-75	1975-76	1976-77	1977-78	1978-79
Domestic	5,500	6,000	6,500	7,000	7,500
Commercial	1,400	1,500	1,700	2,000	2,500
Industrial	6,000	6,500	6,500	7,500	8,000
Total gas sold	12,900	14,000	14,700	16,500	18,000

18. The appliances of a further 1.9 million consumers were converted to burn natural gas in the twelve months to 30 September 1974, bringing the total to 11.1 million. The latest estimate is that conversion will be completed during 1976 at a cost of some £560 million⁽¹⁾. This is comparable to the estimate given in Cmnd 5519.

Steel

19. The British Steel Corporation's capital investment programme for 1974-75 to 1978-79 is intended to take the Corporation beyond the half-way point in the 10 year Development Strategy announced in February 1973 (Cmnd 5226).

20. The Government is currently reviewing the closures of steel works proposed in connection with the Corporation's development plans, and the outcome of this review may affect the detailed content of the Development Strategy.

21. The early part of the period will see the commissioning of the major developments which are already under way at Scunthorpe, Teesside, Llanwern and Ravenscraig. New investment programmes will be carried through in the Sheffield area, to modernise and expand stainless steel capacity, and at Hunterston in Ayrshire, where an ore terminal is under construction and a direct reduction pelletisation plant is to be built. Further expansion of modern steelmaking capacity during the period is expected to raise the Corporation's total production capability for liquid steel to nearly 30 million tonnes by 1978-79. In parallel, there will be a need for substantial investment in modernising the Corporation's iron-making and rolling plant.

22. The public expenditure revisions announced by the last Government on 17 December 1973 included a reduction of £74 million (compared with Cmnd 5519) in the British Steel Corporation's capital expenditure in 1974-75. This reduction is reflected in the Corporation's current estimates. The forecast level of capital expenditure in 1975-76 to 1977-78, as indicated in this White Paper, is somewhat lower than was previously proposed, and the peak of expenditure in the period is now shown to occur in 1976-77 rather than in 1977-78. However, the phasing of the capital investment programme is under continuing examination by the Corporation.

⁽¹⁾ This expenditure is not in Table 2.5. It does not create gas industry assets and is to be recovered over a period through charges to the revenue account.

Post Office

23. The telecommunications capital programme accounts for over 90 per cent of the total capital expenditure to 1978-79. The early years are affected by the 20 per cent cut in capital expenditure in 1974-75 announced by the last Government in December 1973. This was subsequently reduced to about 13 per cent for telecommunications over the year as a whole.

24. The objectives of the telecommunications investment programme are to expand the system to meet consumer demand, to improve the quality of existing services, particularly the international services, and to meet the demand for new kinds of service. The programme within the United Kingdom provides for the supply of some eight million telephone connections over the next five years giving a net growth in the system of five million connections. This is to be compared with a net growth of four million connections in the five years to March 1974. The overall size of the telephone system will thus be increased from 12 million to 17 million working connections. The programme also provides for the conversion of the few remaining manual telephone exchanges to automatic working; for the achievement of full subscriber trunk dialling access and the extension of international subscriber dialling to 95 per cent of customers; for the reduction of congestion on trunk and international routes; and for continued growth in the telex service and in data transmission terminals.

25. For all these purposes investment will be made in new exchanges, extensions to existing exchange buildings and equipment, enlargement of local line networks to customers' premises and increased cable capacity for telephone and other telecommunications services. About one third of the investment is for exchange equipment including new and enlarged international exchanges to relieve congestion and to meet the continuing increase in international telecommunications traffic. Other large items are customers' installations, land and buildings and local and other lines. The programme also includes expenditure on exchange equipment modernisation.

26. The table below gives some relevant statistics—

TELECOMMUNICATIONS				1969-70	1973-74	1978-79
Size of System (thousands)						
Working telephone connections	...	...	...	8,550	11,903	17,000
Working telex connections	...	...	...	29	49	80
Data transmission terminals	...	...	...	8	27	55
Telephones per 100 population	...	...	...	25	34	48
Telephone calls (millions) (<i>effective calls</i>)						
Inland	...	...	...	9,622	14,845	22,500
Overseas	...	...	...	32	61	170
Telephone calls per head of population	...	...	...	174	266	400

27. The postal programme is designed to maintain existing services and to increase the efficiency of the business. Over 70 per cent of the programme will be devoted to the provision of accommodation: mainly to replace buildings which have to be given up, or are obsolete with serious deficiencies in space and to provide buildings to serve new areas of population growth. A further 10 per cent of the investment will be for the replacement and growth of the motor vehicle fleet and for office machines. The remainder will be spent on completing the mechanisation of parcel

sorting, and on continuing the process of letter mechanisation, in order to reduce the labour dependence of the postal services. Mail traffic is expected to decline over the period to 1978-79 as follows:

	1969-70	1973-74	1978-79
Mail traffic (thousand million items) ...	11.6	11.2	10.0

Airways and airports

British Airways Board

28. The capital investment programme of the British Airways Board is concerned largely with the purchase of aircraft for replacement and expansion. European Division expect to take delivery in 1974-75 of their first five Lockheed TriStar aircraft, which are powered by Rolls-Royce engines, to be followed by two in 1975-76 and two in 1976-77. They have recently placed an order for a further six TriStars with deliveries beginning in 1978, and they hold options on three more. Overseas Division are continuing with the expansion of their fleet of Boeing 747 aircraft. Delivery of the sixteenth B747 has taken place this year with the seventeenth to follow in 1975-76. They have five Concorde on order and now expect to introduce Concorde services in the spring of 1976, or sooner if possible.

29. The growth in the number of passengers carried by the British Airways group over the last five years has been:

	1969-70	1970-71	1971-72	1972-73	1973-74
Million passengers ...	11.4	11.7	12.2	13.3	14.4
Percentage increase on previous year ...	11.7	2.6	4.2	9.0	8.4

30. The White Paper figures show reduced expenditure for the period 1974-75 to 1977-78 in comparison with Cmnd 5519. In part this reflects the measures to reduce public expenditure announced by the last Government in 1973, but it arises mainly from the Board's revision of capacity requirements following the marked increase in fuel prices. The Board take the view that after a pause of two years the pattern of traffic growth should be resumed, albeit at a slower rate.

British Airports Authority

31. The British Airports Authority (BAA) plans to spend £142 million in the period 1974-75 to 1978-79 on capital investment. This expenditure will be at the five airports which it controlled up to 31st December 1974 (Heathrow, Gatwick, Stansted, Prestwick and Edinburgh); at Aberdeen, which it took over from the Civil Aviation Authority on 1 January 1975; and at Glasgow, which it is to take over from Glasgow Corporation on 1 April 1975. The Department of Trade will contribute about £16 million at current prices to the cost of developments at Edinburgh and Aberdeen airports.

32. About two-thirds of the total expenditure will be on work at Heathrow and Gatwick to cater for the forecast growth of traffic to the early 1980s. Following the Government's review of the project last year, Maplin has been cancelled. There is no provision in the present forecasts for any development at BAA airports to provide for increased traffic in later years as a result of this decision, but the future arrangements for handling air traffic in the London area, and their possible implications for the BAA's airports, are currently under consideration.

33. The traffic forecasts on which earlier forecasts of capital expenditure were based have been invalidated by the oil crisis. New forecasts for 1982 and 1990, reflecting the increase in fuel prices, were provided in the Department of Trade's report "Maplin—Review of Airport Project" published on 18 July 1974, and further work on traffic forecasts is in progress. It is now expected that the number of passengers, rather than the number of aircraft movements, will be the main determinant of airport investment in this period, and it has been assumed that the total number of terminal passengers passing through the BAA's airports (excluding Aberdeen and Glasgow) will be as in the table below:

	1969-70	1970-71	1971-72	1972-73	1973-74
Terminal passengers (millions)					
Actual	18.5	21.0	23.0	25.5	27.5
	1974-75	1975-76	1976-77	1977-78	1978-79
Present assumptions	27.5	30.0	32.5	35.5	38.5
Cmnd 5519 forecast	30.5	33.5	37.0	40.5	

34. BAA's total capital expenditure is about the same as that forecast last year, after allowance is made for the deduction of £3.7 million then included for work at Maplin and for the addition of the cost of development at Aberdeen and Glasgow.

Surface transport industries

British Railways Board

35. Investment by the British Railways Board will rise, so far as restraints on public expenditure allow, to continue the improvement of the railway system.

36. Cmnd 5519 provided for rail links to Maplin and the Channel Tunnel. This year that for Maplin has been omitted because the airport project has been discontinued. The Channel Tunnel rail link has been omitted following the announcement by the Secretary of State for the Environment on 20 January of the abandonment of the project.

37. The presentation of the Board's investment figures has also been changed. The line in Table 2.5 above now covers all investment by British Railways (including that in commuter railways previously shown separately in Table 2.6). Contributions to railway investment by Passenger Transport Executives (PTE's) and local authorities continue to be shown in Table 2.6 and, to avoid double-counting, a suitable deduction is made from "Other capital expenditure" in Table 2.5. The deduction consists of:

- i. contribution by PTE's (included as part of "Other direct investment" in Table 2.6):

	1974-75	1975-76	1976-77	1977-78	£ million 1978-79
	7.2	21.8	31.2	33.7	33.7

- ii. capital grants by local authorities to BRB and other operators

	1974-75	1975-76	1976-77	1977-78	£ million 1978-79
	—	0.6	1.6	2.6	2.6

British Transport Docks Board

38. The Board has 19 docks which handled 90 million tonnes of freight in 1973. The investment figures include provision for the fish docks at Fleetwood, Lowestoft, Grimsby and Hull; for development at Southampton and the South Wales docks; and for other projects on the Humber.

British Waterways Board

39. The Board are reviewing their long-term policy in consultation with the Department of the Environment. In the meantime the same provision has been made as in Cmnd 5519.

National Freight Corporation

40. The Corporation operates some 24,000 road vehicles, about 10 per cent of the market in the "for hire" road haulage industry. The provision for the Corporation's investment in Cmnd 5519 was mainly for replacement and modernisation. In the light of experience over the first five years of its existence, the Corporation now plans to maintain its competitive position by developing existing and new services and facilities to meet changing patterns of customer demand. The investment levels provide accordingly. The Corporation is also undertaking a considerable expansion into European markets and provision for this is included under "Other capital expenditure".

National Bus Company

41. The National Bus Company's subsidiaries, with a fleet totalling some 20,000 buses and coaches, operated over 730 million vehicle miles in 1973. Investment provides mainly for necessary replacement of vehicles and for improvement of maintenance facilities. The provision is higher than that in Cmnd 5519 to enable the Company to reduce the increasing average age of its fleet, and to catch up with improvements to depot facilities.

Scottish Transport Group

42. The established pattern of capital expenditure by the Group is expected to continue for the next five years during which approximately 60 per cent of their annual programme is for the normal replacement of buses. Most of the remainder is for roll-on/roll-off vehicle ferries and associated terminals for both major and minor routes; this expenditure is in accordance with Government policy as announced by the Secretary of State for Scotland on 18 April 1972 for development of sea transport to the Scottish Islands and should result in more efficient services.

Transport Holding Company

43. The Transport Holding Company was dissolved on 31 March 1973, after the sale of its remaining subsidiary.

TABLE 2.6

	1969-70	1970-71	1971-72
Motorways and trunk roads			
New construction and improvement	300.4	364.8	312.4
Maintenance	29.5	33.5	38.0
Total	329.9	398.3	350.4
Local transport			
Capital			
Investment by Local Transport Authorities			
Roads—new construction and improvement	287.2	341.0	347.4
Car parks	19.4	29.8	22.6
Public transport investment	33.9	52.4	50.7
Current			
Roads—maintenance	262.0	259.6	280.0
Car parks	-3.9	-6.0	-5.0
Other expenditure	1.8	3.1	3.3
Local authority administration	62.7	66.7	69.1
Passenger transport subsidies			
British Rail	—	—	—
Other	1.6	2.9	4.3
Total	664.7	749.5	772.4
Central Government subsidies			
Nationalised industries			
British Rail	119.2	92.8	92.7
British Waterways Board	2.8	3.7	4.5
National Freight Corporation	25.9	17.5	10.2
London Transport Board	16.3	2.5	—
Scottish Transport Group	0.6	0.8	0.5
National Bus Company	—	—	0.4
Other			
Bus fuel grants	31.1	29.9	27.2
New bus grants to private operators	0.3	0.3	0.8
Other Central Government subsidies	0.6	0.3	0.3
Total	196.8	147.8	136.6
Ports and shipping			
Ports	52.6	40.9	39.2
Shipping	2.5	4.9	4.6
Total	55.1	45.8	43.8

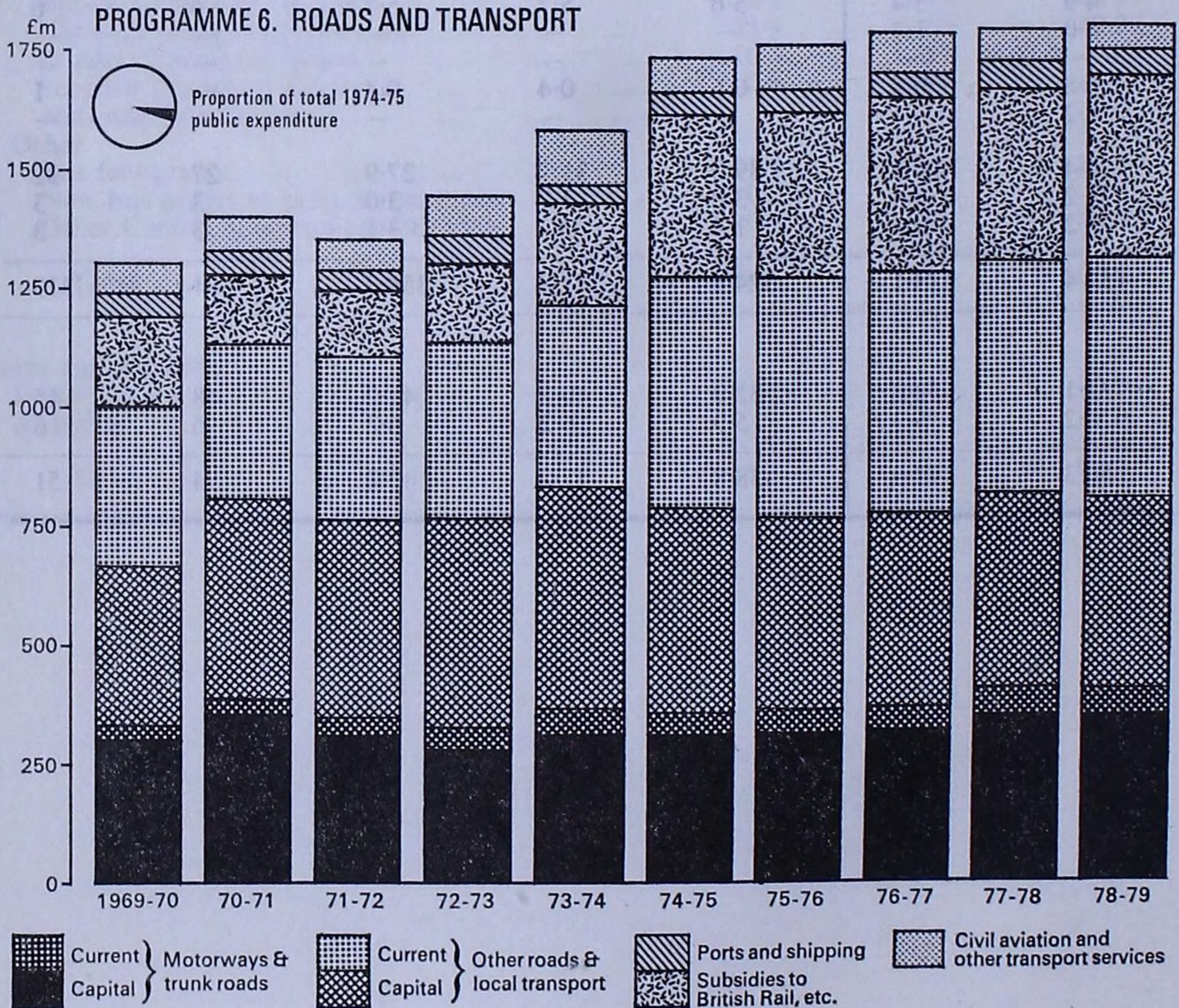
TRANSPORT

£ million at 1974 Survey prices

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
286.7	324.2	315.9	319.9	334.1	349	359
52.5	60.2	42.3	50.5	51.6	56	59
339.2	384.4	358.2	370.4	385.7	405	418
335.1	370.7	309.4	277.6	279.9	276	276
20.4	17.5	21.7	24.7	25.3	26	28
90.6	81.8	95.2	103.4	110.8	112	114
287.4	286.9	284.5	285.4	294.2	304	310
-5.7	-6.4	-6.2	-9.2	-12.8	-18	-21
4.4	5.7	6.0	6.0	6.8	8	8
68.5	74.6	92.5	92.4	95.9	100	104
11.6	10.9	15.6	19.5	20.1	21	21
5.9	15.3	95.5	111.5	96.3	81	66
818.2	857.0	914.2	911.3	916.5	910	906
113.7	181.1	275.2	297.7	314.2	322	343
4.9	5.4	5.6	5.7	5.7	6	6
4.0	1.7	—	—	—	—	—
—	—	—	—	—	—	—
0.8	0.8	0.6	0.4	0.4	—	1
8.2	—	—	—	—	—	—
24.4	20.3	39.0	31.7	27.9	27	32
3.2	3.4	3.0	3.0	3.0	3	3
0.2	0.4	1.4	3.3	3.1	3	3
159.4	213.1	324.8	341.8	354.3	361	379
52.1	32.6	32.9	40.8	41.2	48	45
4.2	5.3	5.9	6.2	6.2	6	6
56.3	37.9	38.8	47.0	47.4	54	51

TABLE 2.6 continued

	1969-70	1970-71	1971-72
Civil aviation			
CAA Grant in aid	—	—	—
Capital investment by CAA and local authorities	9.8	8.1	9.7
Other civil aviation services	30.1	35.6	32.7
Total	39.9	43.7	42.4
Other transport services			
Roads and transport administration	13.9	13.6	13.7
Other	3.0	-0.3	-0.4
Total	16.9	13.3	13.3
VAT paid by local authorities	10.7	10.9	11.6
Total roads and transport	1,314.0	1,409.3	1,370.5
Changes from Cmnd 5519 revalued			
Policy changes			
Other changes			
Cmnd 5519 revalued			



1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
33.0	33.0	34.5	29.5	19.0	9	—
14.6	20.0	19.0	29.6	22.7	25	24
3.0	6.8	10.2	7.3	6.4	6	5
50.6	59.8	63.7	66.4	48.1	40	29
15.2	15.3	15.6	16.5	17.1	18	18
-2.6	-3.2	-1.8	-2.3	-2.5	-3	-3
12.6	12.1	13.8	14.2	14.6	15	15
12.5	12.6	13.2	14.5	14.8	15	16
1,448.8	1,576.9	1,726.7	1,765.6	1,781.4	1,800	1,814
—	—	-233.0	-5.0	-11.0	-20	—
-143.6	-143.6	+161.6	-71.9	-77.5	-56	—
1,720.5	1,720.5	1,798.1	1,842.5	1,869.9	1,876	—

1. The format used in Cmnd 5519 for public expenditure on Roads and Transport has been changed, mainly to group together all expenditure by local authorities. Details of major classification changes are set out in Part 4. The principal reason is the introduction of Transport Supplementary Grants (see paragraphs 13 to 16 below).

2. Transport policies have been consolidated and developed but major economic constraints have contributed to several reductions during the past two years, particularly in road construction. Compared with the 1972 White Paper (Cmnd 5178) there have been reductions of nearly 40 per cent to expenditure in 1976-77 on new construction and improvement of roads in England. These reductions included switching some resources from road construction to rail. Expenditure is also affected by the announcement in the recent Report (HC 74) on the Rate Support Grant (No. 2) Order 1974, in which the Government published their decision temporarily to support high levels of revenue support by local authorities to public transport, particularly bus and underground services.

Roads

General

3. Last year over 90 per cent of passenger miles were on roads, of which about 20 per cent was by public transport; 65 per cent of all freight ton miles were on roads compared with 18 per cent on rail and 17 per cent by other forms of transport such as coastal shipping and inland waterways.

Road safety

4. Road accidents in the United Kingdom have been increasing less than the increase in motor traffic, but they continue to impose a heavy burden. In 1973, 7,400 people were killed in road accidents, nearly 90,000 were seriously injured, and 250,000 were slightly injured. So far as the costs can be quantified they amount to at least £700 million. Expenditure

on new construction, improvement, and maintenance of roads, detailed below, helps to reduce accidents. Quite small road improvement schemes can produce benefits many times greater than their costs. Grants to the Royal Society for the Prevention of Accidents are included under Motorway and Trunk Road current expenditure. Other Government expenditure directed towards road safety is included elsewhere in the White Paper (road safety publicity, driver and vehicle testing, licensing of freight operators, road safety research, etc). Local authority expenditure on road safety is described below.

Motorways and trunk roads

ENGLAND

Capital expenditure—New construction and improvement

5. As the Minister for Transport announced last June, the continuing road programme is necessary, both on environmental and economic grounds. But it is no longer a growth programme.

6. The planned network of 3,500 miles of high quality strategic routes by the early 1980s announced in 1971 is no longer practicable. Instead resources are being concentrated on the completion of a basic 3,100 mile network of routes designed particularly to respond to the use of heavy lorries; 1,800 miles are already open to traffic, including 1,032 miles of motorway. The remainder should be ready by the early 1980s.

7. In building the network, maximum use is made of existing roads, and therefore of investment already made. Better value for money is to be achieved through better use of road space. Studies have shown that vehicle and driver performance have improved so that modern motorways can take more traffic in safety. New design standards have therefore been introduced. In some cases these will demand dual 2-lane roads instead of dual 3-lane and in some cases single rather than dual carriageway.

8. But there will be no economies in environmental standards. The Department of the Environment aims for the maximum efficiency with the minimum damage to the surrounding landscape. The independent advice of the Landscape Advisory Committee is particularly important. And more money is going under the Land Compensation Act 1973 to people whose houses are affected by road schemes. Much is spent on measures to reduce the effect of noise on those living near motorways.

9. The proportion of new construction using concrete may increase in future owing to the changed relative costs of tarmacadam and concrete.

Current expenditure—Maintenance

10. The programme for bringing trunk roads up to the initial standards recommended by the Marshall Committee will come to an end in 1974-75. The lower rate of new road openings has been taken into account. Higher fuel prices are not expected to reduce significantly the use of commercial vehicles which most affect the structure of roads. Their greater use of the motorway and trunk road network requires more expenditure on maintenance, involving the overlaying, resurfacing or other treatment of some 500 miles of motorway over the next five years.

SCOTLAND

11. The Scottish Road Programme continues to have two chief aims, both closely related to the economic development of the country. The first

is the completion of the Central Scotland Motorway and Dual Carriageway network, which will continue to play an important part in the economic regeneration of the traditionally industrialised and heavily populated central belt of Scotland. The second aim is to provide better roads, including the reconstruction of the A9 from Perth to Invergordon, to meet the pressures of oil related developments, especially in North and North East Scotland. The figures in table 2.6, although inevitably influenced by the expenditure cuts announced in mid-December 1973, provide for further major contributions towards these two aims.

WALES

12. The principal objectives of the Secretary of State remain the improvement of east-west road communications across both North and South Wales, and of the road links between Wales and the major industrial and commercial areas of England. The westward extension of the M4 motorway—a project vital to the economy of industrial South Wales—remains the dominant single item in terms of public expenditure in the earlier years covered by this report.

Local transport: England and Wales

GENERAL

13. This new section brings together the transport expenditure for which local authorities are responsible and reflects the comprehensive approach to grant-aiding local transport expenditure under the new system of Exchequer support introduced by the 1974 Local Government Act.

14. In England and Wales, the Local Government Act 1972 created new County and Metropolitan County Councils with comprehensive powers and duties to deal with transport, and covering areas better suited to transport planning. These same authorities are responsible for structure planning. In addition, under the Local Government Act 1974 most of the present Central Government specific grants for local transport purposes, which were paid at varying rates and to various bodies, will be discontinued. In future, part of the Central Government aid to transport will continue to be included in the Rate Support Grant (RSG) but there will be further assistance through the Transport Supplementary Grants (TSG). TSG will be payable to counties whose estimated expenditure for the following grant year, to the extent that it is accepted by the Secretaries of State, exceeds a prescribed threshold.

15. Each County in England and Wales is to submit annually a statement of Transport Policies and Programmes (TPP) to the Secretaries of State. The detailed scrutiny of individual proposals, which was part of the specific grant system, is being replaced by a broad consideration of the proposed transport programme. The Government are concerned to see that proposals as a whole are worthwhile and realistic but will not seek to substitute their judgement for that of the local authority in deciding exact priorities within the limited overall resources available nor in the use of grant once allocated. Central Government will influence, but not control in detail, the expenditure of a local authority through TSG and RSG, and its capital expenditure through a new system of borrowing approvals. One consequence of the freedom for local authorities to determine the spending priorities within the new system is that the divisions of expenditure within the Local Transport Section of the Table can only be indicative, particularly in later years, of the main trends expected.

16. The changes described above do not of themselves mean any changes in the level of public expenditure on transport. Indeed, the Chancellor of the Exchequer in his Budget Statement on 12 November forewarned that local authorities would be expected to assist in the achievement of national economic objectives and their prospective expenditure has been restricted accordingly. The recent circulars (DOE 171/74, Welsh Office 282/74) on local authority expenditure confirmed that prospective capital expenditure had been reduced, Government assistance to revenue support would be limited in future years, and expenditure on road maintenance would be held at the same level for 1975-76 as for 1974-75.

CAPITAL INVESTMENT

Roads—new construction and improvement

17. This expenditure relates to all roads over which local authorities have control, including certain roads in New Towns. Local authority road improvements serve many important purposes: they may create environmental improvements, serve new development or provide bypasses. But overall expenditure is expected to decline slightly over the period, partly in view of the economic situation and partly as a policy to make more money available for rail travel.

Car parks

18. This includes expenditure by local authorities on lorry parks to reduce heavy vehicle parking in residential areas.

Public transport investment

19. This heading includes all public transport investment by local authorities, Passenger Transport Executives and London Transport Executive. The investment, which is similar in each year of the period, covers purchases of new buses and both renewal and improvements to equipment and infrastructure: eg new rolling stock and extensions to the London Underground, the Tyneside Rapid Transit system now under construction, bus lanes and bus stations. The investment by local authorities and PTEs in rail services has been included both here and in the nationalised industries and in Table 2.5, but to avoid double counting it has been deducted from the totals in the latter table. Investment by the British Railways Board in the London Commuter Rail network, which is directly grant-aided by the Department of the Environment rather than by local authorities, together with certain other British Railways Board projects already in progress for which Central Government grants will be paid, are included in Table 2.5 without any offset, and not in this Table.

CURRENT EXPENDITURE

Roads—Maintenance

20. As with many items of local authority expenditure, the 1975-76 estimates show no growth over the expected 1974-75 outturn. Thereafter an increase is provided sufficient to allow slight improvement in standards. Research is in progress to improve the effectiveness of road maintenance expenditure.

Car parks

21. Restraint on the use of cars in urban centres, together with the provision of some additional parking facilities at strategic points, reduces congestion, particularly that arising from journeys to work, and helps the operation of public transport. Certain local authority parking charges have been released from price control and net revenue from parking is expected to increase.

Other expenditure

22. This includes some expenditure by local authorities on Road Safety. The Road Traffic Act 1974 requires local authorities to promote road safety by studying accidents, by considering remedies and by education, training and planning.

Passenger transport subsidies—British Rail

23. Subsidies are paid by PTEs and local authorities to meet losses arising on local rail services which the authorities consider to be a necessary part of the public transport system in their areas.

Passenger transport subsidies—other

24. This covers subsidies paid to bus, underground and ferry services by local authorities. Many local authorities decided earlier this year that it was preferable to meet cost increases out of the rates rather than from fares. The increase in subsidies has been reflected in the revised 1974-75 estimates. The Government's view is that it would be undesirable for these subsidies to increase much further in 1975-76 and that thereafter they should be reduced. The evidence does not suggest that low fares are particularly significant in attracting back bus users from cars, nor that they are a good way of helping the poorer sections of the community. However, to avoid very rapid and heavy fare increases it is proposed that the subsidies be progressively reduced in England and Wales from £102 million in 1975-76 to £50m in 1978-79. For 1975-76 the whole of the £102 million will be eligible expenditure for the purposes of TSG; in this way the Government are meeting a large part of the cost which would otherwise fall on the local rates. Local authorities have been asked to consider what measures they might implement to encourage bus usage and to reduce operating costs.

Local transport: Scotland

25. The reorganisation of local government in Scotland which will take effect on 16 May 1975 has produced a smaller number of councils—regional and islands—with responsibility for local transport. A system of Transport Policies and Programmes will then be introduced. The policies and principles expressed in the foregoing paragraphs will in general apply and most specific grants are being discontinued. Local transport activities will be supported instead by an extension of the rate support grant. Capital expenditure will be regulated under the Local Government (Scotland) Act 1973.

26. Considerable emphasis is being placed on the improvement of public transport services: examples are major improvements to the Glasgow Underground and the project for the re-opening of the Central Low Level Line in Greater Glasgow.

Central Government subsidies

Nationalised industries

27. The largest item in this block represents support to the British Railways Board (BRB). Provision is above that in Cmnd 5519; by £80 million in 1974-75, and by £144 million in 1978-79. The railways' financial position is deteriorating because of increases in costs which have not been recovered in higher charges. The estimates are on the same accounting basis as Cmnd 5519 and have not been adjusted for the reconstruction of the Board's finances under the Railways Act 1974. Total subsidies, including indicative sums for payments by the PTEs (which are included in local transport above) are likely to be:

	1974-75	1975-76	1976-77	1977-78	£ million 1978-79
Direct support by Central Government	275	298	314	322	343
Payments to PTEs:					
Scotland	1	5	5	5	5
Others	12	13	14	14	15
Total	288	316	333	341	363

Two other industries require support in 1974-75 and subsequently:

(a) the British Waterways Board receives grants for essential maintenance of the Board's waterways and to improve to modern traffic standards about 400 bridges carrying public roads over the waterways;

(b) the provision covers grants to the Scottish Transport Group for losses on those Western Islands shipping services which are operated by its subsidiary, David MacBrayne Limited.

Other

28. The main item is the refund of fuel duty to operators of bus stage services for about 1,500 million miles of stage carriage service run each year. Increases in duty have been refunded to such operators since 1964 and full remission of duty, amounting to 22½p per gallon, has been allowed since 12 February 1974 because of the immediately preceding sharp increase in motor fuel prices. In addition 50 per cent grants towards the cost of buying new buses for use on stage services are being paid on about 3,500 buses each year. These grants help the operators to provide improved services by enabling them to maintain up-to-date fleets and stimulate one-man operation. Total investment in new buses by municipal bus operators, Passenger Transport Executives and the London Transport Executive appears under 'local transport, other direct investment' in Table 2.6, and similar investment by the National Bus Company and the Scottish Transport Group appears under nationalised industries capital expenditure in Table 2.5. In order to avoid double counting, provision is made under the Central Government subsidies heading for grants to the private sector only.

29. The Railways Act 1974 empowered the Secretary of State to make grants towards the provision of facilities for the loading or unloading of rail freight. Tentative provision has been made in Table 2.6 for the payment of grant to the private sector. Grant aided expenditure by public sector bodies will form part of their capital programmes.

30. Other subsidies include those under the Highlands and Islands Shipping Services Act 1960 for sea transport services and to Orkney and Shetland.

Ports and shipping

Ports

31. The provision covers investment by the independent harbour trusts and local authority owned harbours, and grants and loans to ports in the private sector. Expenditure in this area is considered together with port investment in the nationalised industry sector (ie by the British Transport Docks Board—see paragraph 38 of Chapter 5); Cmnd 5519 figures for 1975-76 to 1977-78 have been reduced by 5 per cent (except for the provision for North Sea oil—see below).

32. Cmnd 5519 made only minimal provision for port developments to deal with North Sea oil. It is now known that substantial expenditure on a new port at Sullom Voe in the Shetland Isles, and other developments in the Orkneys, will certainly be required. The Sullom Voe development is expected to be undertaken by the Zetland County Council who have recently obtained the necessary powers. No precise estimates are available but public expenditure is likely to build up from about £10 million in 1975-76 to £15 million in 1978-79. No provision has been made for ports in the Celtic Sea area.

33. Grants are payable by the Ministry of Agriculture Fisheries and Food for the improvement of fishing facilities. Provision is included for grants towards expenditure at the Port of Tyne in 1974-75 and 1975-76. In addition, expenditure by the British Transport Docks Board at Fleetwood, Lowestoft, Grimsby and Hull qualifies for this grant—see Chapter 5 paragraph 39.

Shipping services

34. This programme is directed mainly towards safety at sea, including the Coastguard service, the survey of ships, examination of seamen, the provision of other services such as navigational broadcasts, and the operation of a trawler support ship. Provision is also made to deal with the prevention of oil pollution, for certain security measures in connection with the Northern Ireland emergency and for the United Kingdom contributions towards the running costs of the Intergovernmental Maritime Consultative Organisation. The monitoring and assistance of shipping in the English Channel through the Channel Navigation Information Service is to be improved by the extension of radar coverage.

Civil aviation services

35. Provision is made for the grant-in-aid to the Civil Aviation Authority to cover its deficit on revenue account; it is intended that this grant-in-aid should eventually be eliminated. The programme also covers capital expenditure by the Civil Aviation Authority, mainly on equipment and installations for the National Air Traffic Services, and by local authorities on aerodromes. Under 'Other civil aviation services' is included the UK's subscriptions to Eurocontrol and to the International Civil Aviation Organisation and expenditure on aviation security measures.

37. The Civil Aviation Authority is currently engaged in a major programme of re-equipment to enable it to handle safely a greater volume of aircraft movements and an increasing proportion of high-speed aircraft. Numbers of movements handled by UK air traffic control grew steadily in the five years to 1973, as shown below:

1969	1970	1971	1972	1973
1,063,352	1,142,796	1,217,406	1,258,031	1,345,243

Other transport services

38. As well as expenditure on central government administration and receipts from fees for driving and vehicle tests, provision is made for certain minor items.

CHANGES IN EXPENDITURE

39. Policy changes since Cmnd 5519 include the effect of the general cuts in public expenditure on the various programmes including roads, the increase in local authorities' subsidies of bus and underground services, and the cancellation of Maplin Airport and the Channel Tunnel project. The principal estimating change is the increased Central Government subsidy to the BRB.

TABLE 5.7: Housing in million

1971-73	1974-76	1977-79	1980-82	1983-85	1986-88	1989-91	1992-94	1995-97	1998-00	1999-01
21000	22000	23000	24000	25000	26000	27000	28000	29000	30000	31000
10000	11000	12000	13000	14000	15000	16000	17000	18000	19000	20000
5000	5500	6000	6500	7000	7500	8000	8500	9000	9500	10000
2000	2500	3000	3500	4000	4500	5000	5500	6000	6500	7000
1000	1200	1400	1600	1800	2000	2200	2400	2600	2800	3000
500	600	700	800	900	1000	1100	1200	1300	1400	1500
200	250	300	350	400	450	500	550	600	650	700
100	120	140	160	180	200	220	240	260	280	300
50	60	70	80	90	100	110	120	130	140	150
25	30	35	40	45	50	55	60	65	70	75
12.5	15	17.5	20	22.5	25	27.5	30	32.5	35	37.5
6.25	7.5	8.75	10	11.25	12.5	13.75	15	16.25	17.5	18.75
3.125	3.75	4.375	5	5.625	6.25	6.875	7.5	8.125	8.75	9.375
1.5625	1.875	2.1875	2.5	2.8125	3.125	3.4375	3.75	4.0625	4.375	4.6875
0.78125	0.9375	1.09375	1.25	1.40625	1.5625	1.71875	1.875	2.03125	2.1875	2.34375
0.390625	0.46875	0.546875	0.625	0.703125	0.78125	0.859375	0.9375	1.015625	1.09375	1.171875
0.1953125	0.234375	0.2734375	0.3125	0.3515625	0.390625	0.4296875	0.46875	0.5078125	0.546875	0.5859375
0.09765625	0.1171875	0.13671875	0.15625	0.17578125	0.1953125	0.21484375	0.234375	0.25390625	0.2734375	0.29296875
0.048828125	0.05859375	0.068359375	0.078125	0.087890625	0.09765625	0.107421875	0.1171875	0.126953125	0.13671875	0.146484375
0.0244140625	0.029296875	0.0341796875	0.0390625	0.0439453125	0.048828125	0.0537109375	0.05859375	0.0634765625	0.068359375	0.0732421875
0.01220703125	0.0146484375	0.01709084375	0.01953125	0.02197265625	0.0244140625	0.02685546875	0.029296875	0.03173828125	0.0341796875	0.03662109375
0.006103515625	0.00732421875	0.008545921875	0.009765625	0.010987328125	0.01220703125	0.013428734375	0.0146484375	0.015869140625	0.01709084375	0.018312546875
0.0030517578125	0.003662109375	0.004272559375	0.00488290625	0.00549335625	0.00610380625	0.00671425625	0.00732470625	0.00793515625	0.00854560625	0.00915605625
0.00152587890625	0.0018310546875	0.0021362290625	0.00244140625	0.00274658125	0.0030517578125	0.0033569334375	0.003662109375	0.0039672846875	0.004272460625	0.004577636875
0.000762939453125	0.00091552734375	0.001068115234375	0.001220703125	0.001373290625	0.00152587890625	0.0016784671875	0.0018310550625	0.001983643125	0.0021362310625	0.0022888190625
0.0003814697265625	0.0004577636875	0.00053405759375	0.0006103515625	0.00068664546875	0.000762939453125	0.00083923334375	0.00091552734375	0.00099182125	0.001068115234375	0.0011444091875
0.00019073486328125	0.00022888190625	0.000267028796875	0.000305175625	0.0003433225125	0.00038146940625	0.00041961628125	0.0004577631625	0.00049591004375	0.000534056925	0.00057220380625

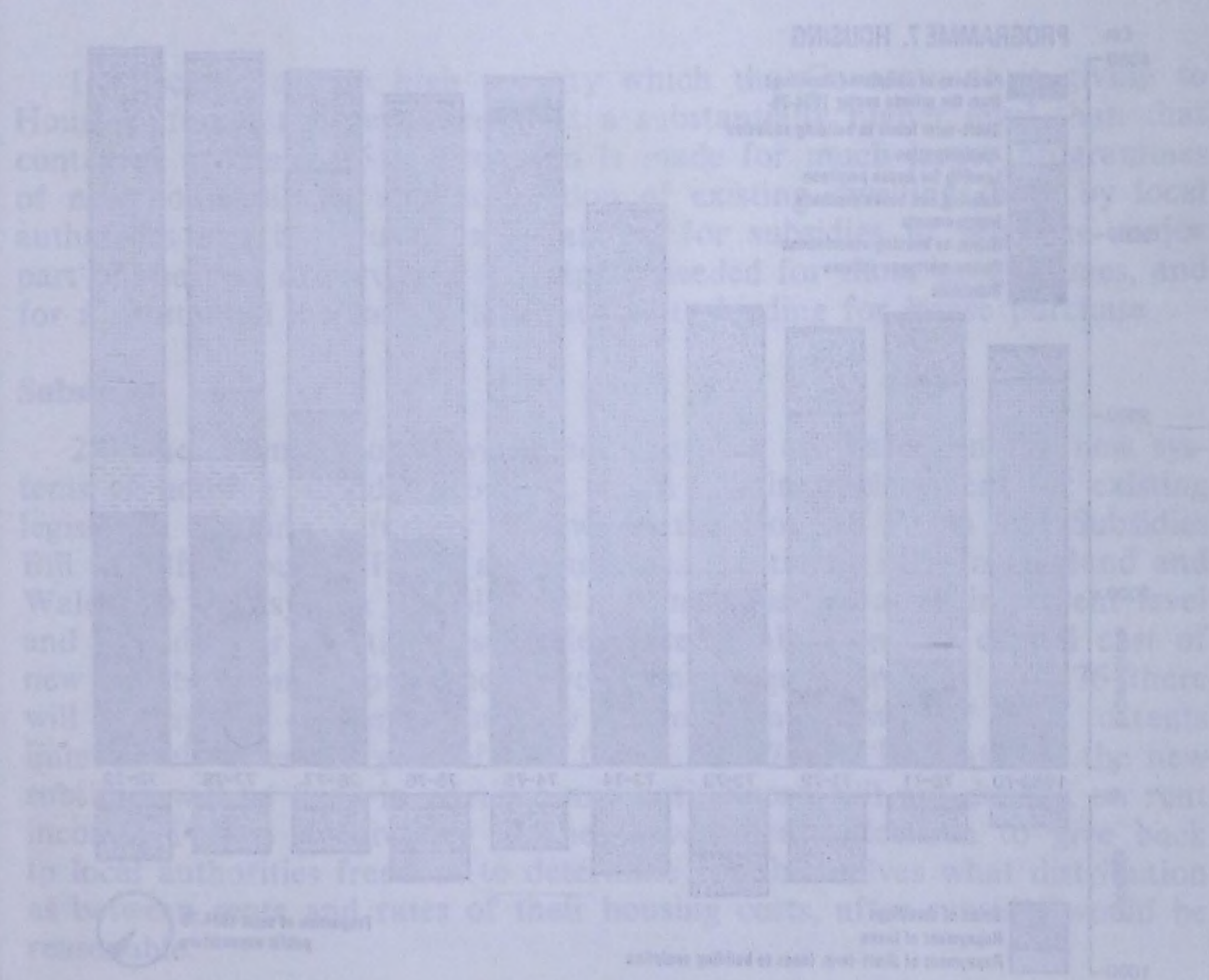
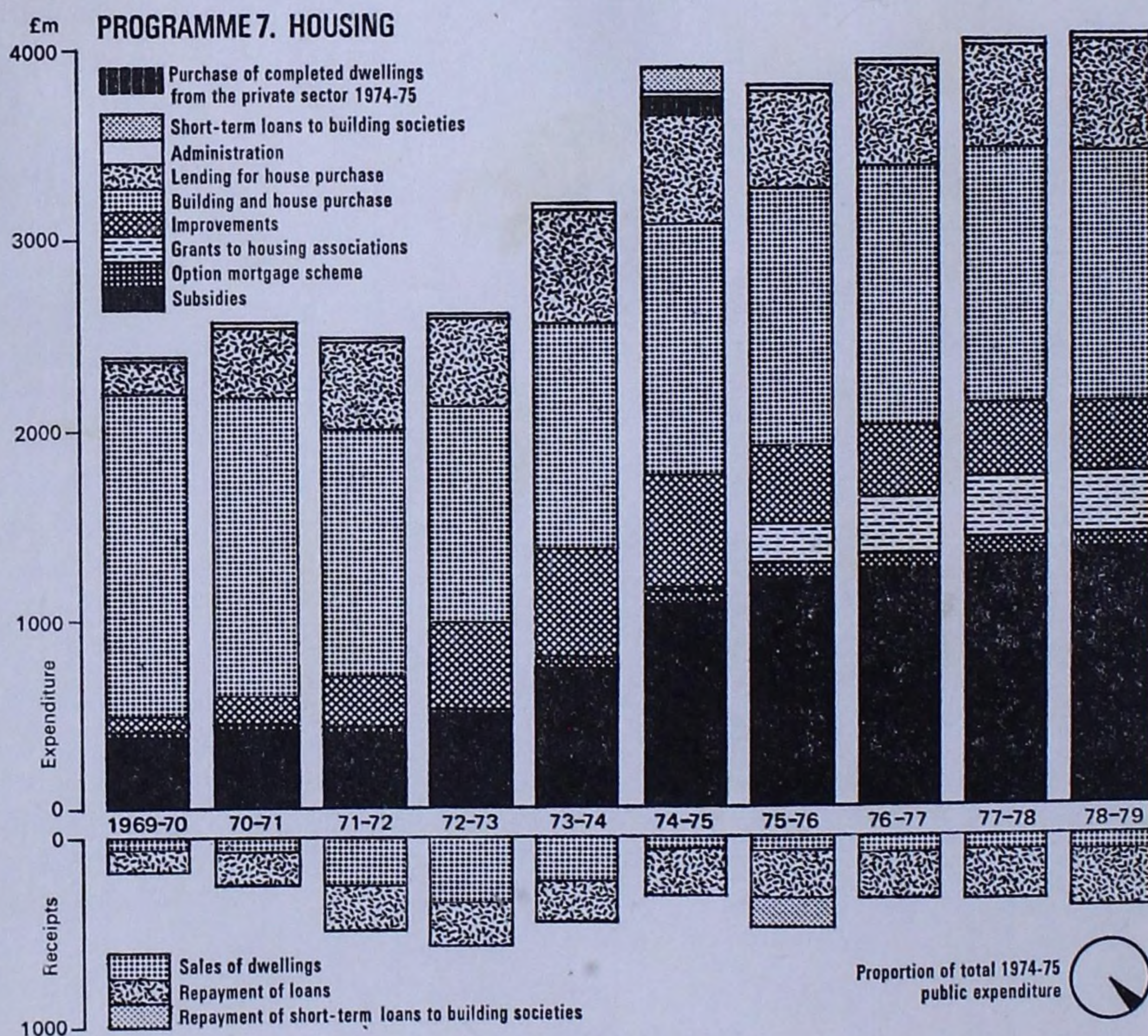


TABLE 2.7

	1969-70	1970-71	1971-72
Subsidies	389.8	428.4	403.1
Option mortgage scheme	13.2	17.7	22.4
Grants to housing associations	—	—	—
Improvements and renovation			
Grants	31.0	44.0	70.5
Local authority improvement investment	56.7	95.9	179.9
Investment			
Gross	1,701.2	1,581.6	1,300.7
Sales	-65.8	-76.2	-260.2
Net	1,635.4	1,505.4	1,040.5
Lending			
Gross	174.2	379.3	488.8
Repayments	-131.9	-188.6	-223.6
Net	42.3	190.7	265.2
Housing administration	13.0	15.4	12.2
Total	2,181.4	2,297.5	1,993.8
Short-term loans to building societies	—	—	—
Total	2,181.4	2,297.5	1,993.8
Changes from Cmd 5519 revalued			
Policy changes			
Other changes			
Cmd 5519 revalued			



£ million at 1974 Survey prices

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
504.4	735.7	1,077.1	1,204.3	1,252.4	1,320	1,367
33.0	54.2	77.0	80.6	83.1	87	90
—	—	—	212.2	277.6	301	302
126.5	167.6	152.6	121.9	125.3	135	142
311.6	401.1	422.7	296.7	249.9	235	230
1,158.0	1,182.2	1,333.1	1,356.8	1,378.9	1,348	1,316
-338.3	-222.3	-62.3	-82.3	-82.9	-83	-84
819.7	959.9	1,270.8	1,274.5	1,296.0	1,265	1,232
464.8	615.7	659.3	506.0	539.5	559	585
-227.2	-212.6	-212.5	-248.0	-260.5	-273	-291
237.6	403.1	446.8	258.0	279.0	286	294
14.4	18.2	18.9	19.1	19.4	19	20
2,047.2	2,739.8	3,465.9	3,467.3	3,582.7	3,648	3,677
—	—	150.0	-150.0	—	—	—
2,047.2	2,739.8	3,615.9	3,317.3	3,582.7	3,648	3,677
	—	+291.0	+329.9	+360.2	+389	
	+174.7	+1,002.7	+852.7	+1,091.8	+1,165	
	2,565.1	2,322.2	2,134.7	2,130.7	2,094	

1. Because of the high priority which the Government is giving to Housing, forecast expenditure is at a substantially higher level than that contained in Cmnd 5519. Provision is made for much larger programmes of new housebuilding and acquisition of existing dwellings both by local authorities and by housing associations, for subsidies to bear the major part of the cost of servicing the capital needed for those programmes, and for a substantial increase in local authority lending for house purchase.

Subsidies

2. The estimates of Government subsidies are based on the new systems of housing subsidy, provided, as an interim replacement for existing legislation pending a further review, in the Housing Rents and Subsidies Bill and the Housing Rents and Subsidies (Scotland) Bill. In England and Wales the new system consolidates existing subsidies at their present level and provides for additional subsidies based mainly on the capital cost of new construction, improvement work and acquisitions. In 1975-76 there will be a special element of subsidy to provide a measure of relief to rents immediately after the year of rent freeze in 1974-75. The rates of the new subsidies will be fixed in advance and entitlement will not depend on rent income. This is a corollary of the Government's decision to give back to local authorities freedom to determine for themselves what distribution as between rents and rates of their housing costs, after subsidy, would be reasonable.

3. In Scotland local authorities will have the same freedom restored to them. The main change in the subsidy system will be the removal of the threshold of minimum expenditure per dwelling of £6 a year before housing expenditure subsidy is paid.

4. As is noted in paragraph 15(i) the total amounts provided for subsidies including rate fund contributions are approximately doubled since the estimates in Cmnd 5519. This is due to a number of factors including, principally, heavy increases in real costs in 1974, the rent freeze in 1974-75, and a substantially increased investment programme. The estimates for rent rebates and rent allowances are also included in these figures; provision is made for up-ratings of the needs allowance in October 1974 and April and December 1975.

Option mortgages

5. The option mortgage scheme is designed to give house purchasers of moderate income benefits roughly equal to those available through tax relief on mortgage interest to basic rate tax payers. The forecast reflects the increase in subsidy necessary following the change in the basic rate of income tax.

Grants and loans to housing associations

6. The Government has announced its intention to encourage the expansion of the housing association movement as a valuable complement to the housing activities of local authorities. The Housing Act 1974 made provision for grants to enable this expansion to take place. Grants will begin to be made in 1975-76. It is estimated that after payment of housing association grant about one quarter of housing association investment will continue to be financed by loan (see paragraph 11 below). Provision for this is contained within the lending figures. The total number of housing association dwellings approved by the Housing Corporation is now running at 32,800 dwellings a year and another 14,000 are being approved by local authorities; this rate is about double that of last year and provision is made for it to be sustained.

House improvement and slum clearance

7. The National House Condition Survey of 1971 identified over a million dwellings in Great Britain which were unfit and a further 2 million which lacked one or more basic amenities. These dwellings were concentrated in the private sector. The Government is firmly committed to the longstanding policy of financial assistance through house improvement and renovation grants. The estimates reflect the ending in June 1974 of preferential grants in the assisted areas under the Housing Act 1971, and the introduction of new and more discriminating grant provisions under the Housing Act 1974. These will re-direct assistance to areas of particular housing need. In Scotland the present increased level of investment by local authorities in the improvement of their own houses will be maintained; in England and Wales a reduced rate of expenditure on such work will reflect the completion of a period of intensive activity by many local authorities.

TABLE A
IMPROVEMENT GRANTS APPROVED: GREAT BRITAIN

					For local authorities	For housing associations	For private owners	Total
1968	...	...	...	...	40,939	2,096	84,860	127,895
1969	...	...	...	...	40,436	3,190	80,263	123,889
1970	...	...	...	...	59,468	4,110	116,379	179,957
1971	...	...	...	...	88,979	6,168	137,364	232,511
1972	...	...	...	...	132,844	6,756	224,468	368,068
1973	...	...	...	...	188,081	5,051	260,364	453,496

Investment

8. The figures in Cmnd 5519 assumed a continuation of the low level to which local authority housebuilding had declined by 1973. The figures of new dwellings in tenders accepted by local authorities in 1974 show that the initiatives taken by the Government have helped to reverse the trend. This is reflected in the figures in Table B and in the expenditure forecast.

TABLE B
**PERMANENT DWELLINGS APPROVED: LOCAL AUTHORITIES,
NEW TOWNS AND THE SCOTTISH SPECIAL HOUSING ASSOCIATION**

									Great Britain
1968	...	...	...	...	...	...	...	...	185,131
1969	...	...	...	...	...	...	...	...	149,376
1970	...	...	...	...	...	...	...	...	120,476
1971	...	...	...	...	...	...	...	...	116,892
1972	...	...	...	...	...	...	...	...	105,843
1973	...	...	...	...	...	...	...	...	103,422
1974	provisional	...	...	...	...	...	...	...	135,000

9. The investment forecast also reflects the acquisition by local authorities of houses built by developers. This follows the initiative taken by the Government to bring completed but unsold private houses into use. Provision is also made for a continuing programme of acquisition of existing dwellings in pursuance of the Government's objective of extending social ownership particularly in order to improve conditions in the areas of worst housing stress. Overall net investment has been substantially increased by reduced estimates of future sales of local authority housing. This is largely offset by a reduction in lending (see paragraph 10 below).

Lending

10. The total estimates for lending after 1974-75 are substantially lower than in Cmnd 5519. This reflects two factors: first some of the financial assistance previously classified as loans will now be provided by the new capital grants to housing associations (see paragraph 6); second a substantial reduction is forecast in lending to council tenants buying their houses on mortgage or instalment. This latter largely offsets the reduction in receipts from sales described in the preceding section on investment. It follows from a re-appraisal of local authorities' policies in this area and hence of the number of sales that they are now likely to make over the period. The remaining provision for lending to housing associations rises over the period in line with the growth in grants to them.

11. The main constituent in the figures after 1974-75 is therefore lending by local authorities to private individuals for house purchase. Local authorities may lend to defined categories of priority borrowers; these include the homeless, people high on a Council's waiting list or displaced by new development, and people wishing to buy older property which would not attract a commercial mortgage. Additionally in 1974 they have been permitted to lend to first-time purchasers of new dwellings.

12. Because of the shortage of building society funds in the early part of 1974, the 1974-75 estimate of local authority lending is exceptionally high. There has been a substantial recent improvement in Building Society receipts and 1975-76 looks therefore less likely to be exceptional. Thereafter provision is made for a steady increase each year so that by 1977-78 the total of gross lending to private individuals is about two-thirds higher than the corresponding provision in Cmnd 5519; but the outturn in each individual year will be significantly dependent on the availability of Building Society loans.

13. Loans by local authorities for house purchase in England and Wales in recent years are shown in Table C.

TABLE C
LOCAL AUTHORITIES LOANS TO PRIVATE PERSONS FOR HOUSE PURCHASE:
ENGLAND AND WALES

					New dwellings	Other dwellings	All dwellings
1968	...	...	...	...	4,290	34,502	38,792
1969	...	...	...	...	1,816	17,280	19,096
1970	...	...	...	...	2,605	41,498	44,103
1971	...	...	...	...	2,734	44,440	47,174
1972	...	...	...	...	1,893	43,309	45,202
1973	...	...	...	...	2,710	56,711	59,421

Loans to building societies

14. Estimates of loans and repayments of the temporary £500 million loans to Building Societies have been shown separately in Table 2.7. Repayments are determined on a monthly basis by the flow of private funds into the Building Societies, and this cannot be accurately forecast. But on an extrapolation of present trends, about £350 million will be repaid by 31 March 1975 and the great bulk of the remainder in the following three months. If this happens, net public expenditure of £150 million in 1974-75 will be balanced by repayments of £150 million in 1975-76.

TABLE D
STOCK OF DWELLINGS AT END OF YEAR: BY TENURE 1966 TO 1973
GREAT BRITAIN

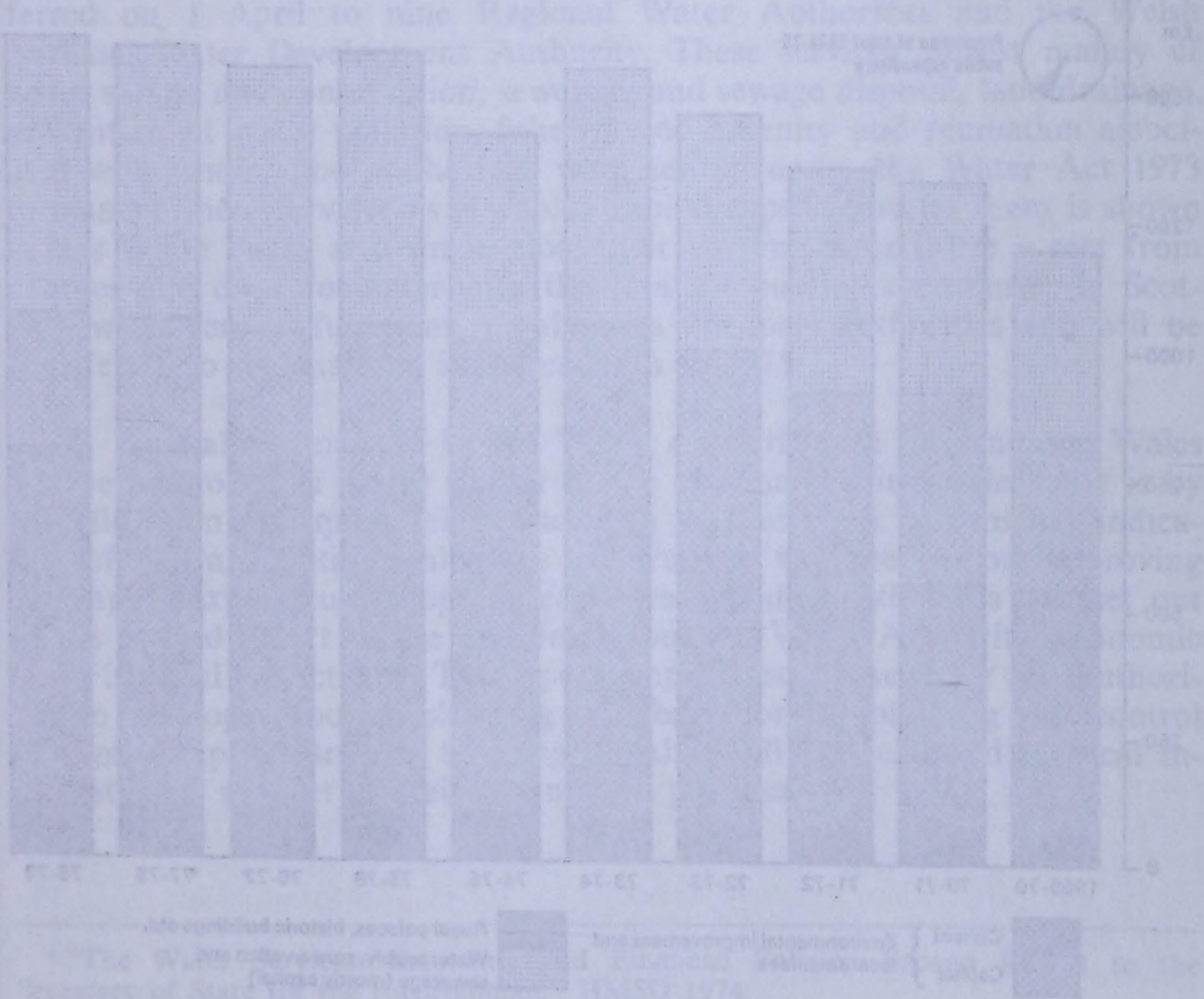
					Rented from local authorities or new town corporations		Owner occupied	
					Thousand	Percentage of total	Thousand	Percentage of total
1966	...	...	...	5,063	28.7	8,335	47.2
1967	...	...	...	5,232	29.2	8,604	48.0
1968	...	...	...	5,387	29.5	8,898	48.8
1969	...	...	...	5,543	30.0	9,131	49.4
1970	...	...	...	5,698	30.4	9,356	50.0
1971	...	...	...	5,817	30.6	9,594	50.5
1972	...	...	...	5,865	30.5	9,877	51.4
1973	...	...	...	5,920	30.5	10,133	52.2

					Rented from private owners and other tenures		Total
					Thousand	Percentage of total	Thousand
1966	...	...	...	4,262	24.1	17,660
1967	...	...	...	4,105	22.9	17,941
1968	...	...	...	3,949	21.7	18,234
1969	...	...	...	3,814	20.6	18,488
1970	...	...	...	3,677	19.6	18,731
1971	...	...	...	3,588	18.9	18,999
1972	...	...	...	3,470	18.1	19,212
1973	...	...	...	3,361	17.3	19,414

CHANGES IN EXPENDITURE

15. The main changes from Cmnd 5519 are as follows:

- (i) the amounts provided for subsidies are approximately doubled.
- (ii) local authority gross investment is increased by around 40 per cent reflecting the increase in the housebuilding programme and the new programme of acquisition of dwellings.
- (iii) capital receipts from sales of local authority dwellings are reduced to about 25 per cent of the previous level.
- (iv) local authority lending for house purchase is increased by £110 million in 1975-76 rising to £160 million in 1978-79.
- (v) the new grants to Housing Associations rise from £218 million in 1975-76 to £313 million in 1978-79; corresponding reductions have been made in the provisions for lending.

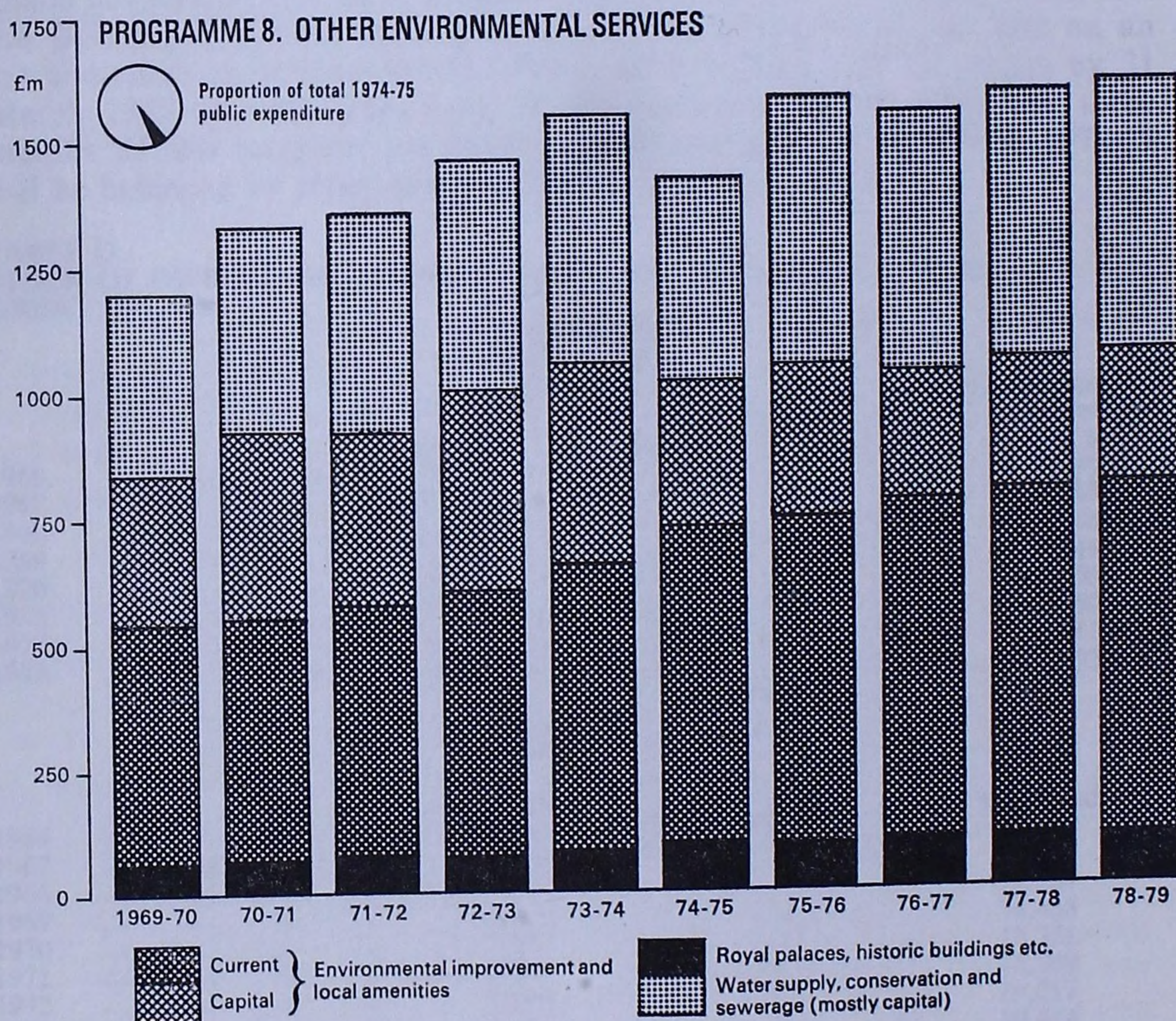


8. OTHER ENVIRONMENTAL

TABLE 2.8

	1969-70	1970-71	1971-72
Water supply and conservation and sewerage			
Regional water authorities ⁽¹⁾	279.3	327.7	354.5
Other services			
Capital	58.1	64.1	64.5
Current	22.0	22.8	23.3
Improvement of the environment and other local facilities			
Capital	298.1	378.0	346.8
Current	477.5	483.2	505.0
Royal Palaces and Royal Parks	5.1	5.1	5.5
Historic buildings and ancient monuments	6.9	6.7	6.5
Environmental research	7.6	9.9	13.3
Central and miscellaneous environmental services	17.7	19.8	22.6
VAT paid by local authorities	27.7	26.4	26.3
Total	1,200.0	1,343.7	1,368.3
Changes from Cmnd 5519 revalued			
Policy changes			
Other changes			
Cmnd 5519 revalued			

(1) Including the Welsh National Water Development Authority.



SERVICES

£ million at 1974 Survey prices

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
365.3	371.4	306.8	370.2	366.2	391	414
71.8	80.5	72.1	123.5	127.0	117	100
24.1	28.8	30.4	33.4	35.0	36	36
391.6	396.0	284.9	297.3	254.4	265	260
531.2	560.9	628.3	651.8	671.9	681	691
5.2	5.5	6.2	6.6	6.6	7	7
6.3	8.1	10.9	11.6	11.9	12	12
14.8	17.2	20.4	24.2	27.6	28	31
21.6	25.8	32.7	30.6	31.1	31	31
26.2	27.7	28.3	25.3	26.1	28	29
1,458.1	1,521.9	1,421.0	1,574.5	1,557.8	1,596	1,611
	—	-91.4	+45.5	-2.4	-4	
	-53.2	+25.5	-105.7	-118.4	-176	
	1,575.1	1,486.9	1,634.7	1,678.6	1,776	

Water Services

1. Responsibility for water services in England and Wales was transferred on 1 April to nine Regional Water Authorities and the Welsh National Water Development Authority. These services consist mainly of water supply and conservation, sewerage and sewage disposal, land drainage, prevention of water pollution, fisheries and amenity and recreation associated with water. The Authorities were set up under the Water Act 1973 to manage these services as a whole. Capital expenditure on them is shown in this White Paper as a single bloc; their current expenditure is met from charges and does not enter into the total of public expenditure. In Scotland water service functions remain with the local authorities and will be transferred to regional and island councils in 1975.

2. Capital expenditure by the Water Authorities in England and Wales will be controlled in a way similar to the nationalised industries, that is by the allocation of capital ceilings to each Authority. A preliminary indication of the information which the Government will need before approving the capital expenditure proposed each year by the Authorities was set out in the second report of the Steering Group on Water Authority Economic and Financial Objectives*. The report emphasises the need for the Authorities to develop corporate planning as a basis for the planning and control of capital expenditure and to bring together full financial and physical information in support of their expenditure proposals.

* "The Water Services: Economic and Financial Policies. Second Report to the Secretary of State for the Environment." HMSO 1974.

3. In common with most other public sector programmes, the capital programme to be undertaken by the Authorities and Scottish local authorities in 1974-75 as set out in Cmnd 5519 was reduced by 20 per cent in December 1973 and reductions have been made for subsequent years by the present Government. Nevertheless, the present White Paper assumes an average rate of growth of 7 per cent a year in expenditure on water services from 1974-75 onwards and takes account of the extra assistance to the construction industry in 1975-76 announced by the Chancellor of the Exchequer in September 1974.

4. The forecasts for land drainage in England and Wales include expenditure on the Thames Tidal Flood Protection Scheme. The provision for other arterial drainage schemes has been reduced for 1974-75 onwards.

Improvement of the Environment and Local Facilities

5. This is a miscellaneous group of mainly local authority services. It includes refuse collection and disposal, smoke control, public conveniences and other public health expenditure, the reclamation of derelict land, the provision of parks and recreational facilities, the provision of municipal buildings and administrative services, and activities carried out under the Town and Country Planning Acts as well as a number of minor services such as private street works, coast protection, civic theatres and restaurants, retail markets, cemeteries and crematoria.

Capital

6. Most of the services in this group in England and Wales come within the locally determined sector arrangements for controlling capital expenditure. In this sector an annual block borrowing consent is notified to local authorities. They are free to spend at their own discretion up to this amount, plus what they choose to meet from revenue or capital receipts. The locally determined sector covers a wide variety of projects, including some which fall in other programmes (See Table 3.9). It is not possible to forecast with any accuracy how much will be spent on particular services. The derelict land reclamation programme and the coast protection programme are controlled by ad hoc borrowing approvals. In Scotland nearly all local authority capital expenditure is subject to specific approval.

7. In common with many other services, programmes for 1975-76 onwards have been significantly reduced as compared with Cmnd 5519. These reductions are reflected in the annual borrowing limits notified to local authorities who are having to reduce their programmes accordingly. A reduction of the magnitude made means that local authorities will have little room for manoeuvre in selecting priorities in 1975-76. They will have to use their borrowing allocation chiefly on projects which are already committed under contract or otherwise essential.

8. For the last three years local authorities in England and Wales have chosen to spend more heavily on sport and recreational projects than before at the expense of other services within the locally determined sector, including services in other programmes. Local government reorganisation has now led to a heavy demand for office accommodation to fit the new local authority structure. This may well lead to a change in the pattern of locally determined expenditure.

9. Local authorities are also faced with the need to extend and improve their facilities for the collection and disposal of refuse and they may find it necessary to devote a larger proportion of resources to this in future years.

Current

10. The figures for local authority current expenditure in 1975-76 are based on the forecasts arrived at after consultation with the local authority associations in the course of the recent rate support grant negotiations in England, Wales and Scotland. The real growth of about 4% over an estimated 1974-75 outturn takes account only of commitments which are inescapable, including expenditure arising from mandatory statutory obligations, the consequence of demographic trends and the effects of local government reorganisation. It assumes a slowing down in the rate of recruitment of staff, the likely consequence of which will be no improvement in the standard of service provided; it also assumes that local authorities will increase their income by raising charges for certain services and facilities.

11. The figures for subsequent years assume a further slowing down in the rate of real growth in local authority expenditure consistently with the projection of public expenditure as a whole and there will be further consultations with the local authority associations about this requirement.

Royal Palaces and Royal Parks

12. This expenditure covers the maintenance, etc, of the royal palaces and royal parks in the United Kingdom.

Historic Buildings and Ancient Monuments

13. This item covers grants for the repair of historic buildings, other related services, and expenditure on the purchase, maintenance, repair and display of ancient monuments. It also includes expenditure on emergency excavations for recording monuments before sites are developed. Details of the work undertaken in this field are published in the Annual Reports of the Historic Buildings Councils and the Ancient Monuments Boards for England, Scotland and Wales, and in the Department of the Environment's annual publication: "Archaeological Excavations". The number of visitors to ancient monuments and historic buildings has risen from 11 million in 1969 to 14 million in 1972 and to almost 15 million in 1973.

14. As announced by the Secretary of State for the Environment on 12 July, the Government proposes to match contributions raised for the National Heritage Fund up to a Fund total of £1 million over a period of four to five years beginning in 1976-77.

Environmental Research

15. This item covers research support for the Department of the Environment and includes research work carried out at the Department's three research establishments (the Transport and Road Research Laboratory, the Building Research Establishment and the Hydraulics Research Station), the extra-mural research programme, and grants to research associations and other bodies. It also covers grants to the British Railways Board for railway research and to the London Transport Executive for rapid transit research.

CHANGES IN EXPENDITURE

Capital

16. The main changes in the forecasts of capital expenditure since Cmnd 5519 arise from the need in present circumstances to reduce public expenditure. The changes in respect of 1974-75 mainly resulted from cuts announced by the last Government in December 1973; those in respect of other years are the result of the present review. The sum of these *reductions* is as follows:

	1974-75	1975-76	1976-77	£ million 1977-78
Water Services	92.4	81.6	85.4	91.1
Improvement of the Environment and local facilities	54.9	81.5	74.4	78.1

17. In September, the Chancellor announced a short-term *increase* in public capital expenditure programmes to help the construction industry. The amounts applicable to this programme are:

	£ million 1975-76
Water Services	23.2
Improvement of the Environment and local facilities	18.1

18. An estimating change resulting from the rephrasing of purchases and sales within the special programme for land acquisition in England for resale for private development has had the effect of increasing the figures for 1974-75 to 1976-77 and reducing the figure for 1977-78 as follows:

	1974-75	1975-76	1976-77	£ million 1977-78
Improvement of the Environment and local facilities	+6.1	+31.4	+15.0	-13.9

TABLE 29

1971-72	1970-71	1969-70	1968-69	1967-68	1966-67
Changes from Cmd 2519 revised					
Policy changes					
Other changes					
122	122	122	122	122	122
Total 122					
Law, order and protective services					
100	100	100	100	100	100
Total 100					
VAT paid by local authorities					
10	10	10	10	10	10
Total 10					
Central and miscellaneous services					
10	10	10	10	10	10
Total 10					
Community services					
10	10	10	10	10	10
Total 10					
Civil defence					
10	10	10	10	10	10
Total 10					
General protective services					
10	10	10	10	10	10
Total 10					
Treatment of offenders					
10	10	10	10	10	10
Total 10					
Administration of justice					
10	10	10	10	10	10
Total 10					

TABLE 2.9

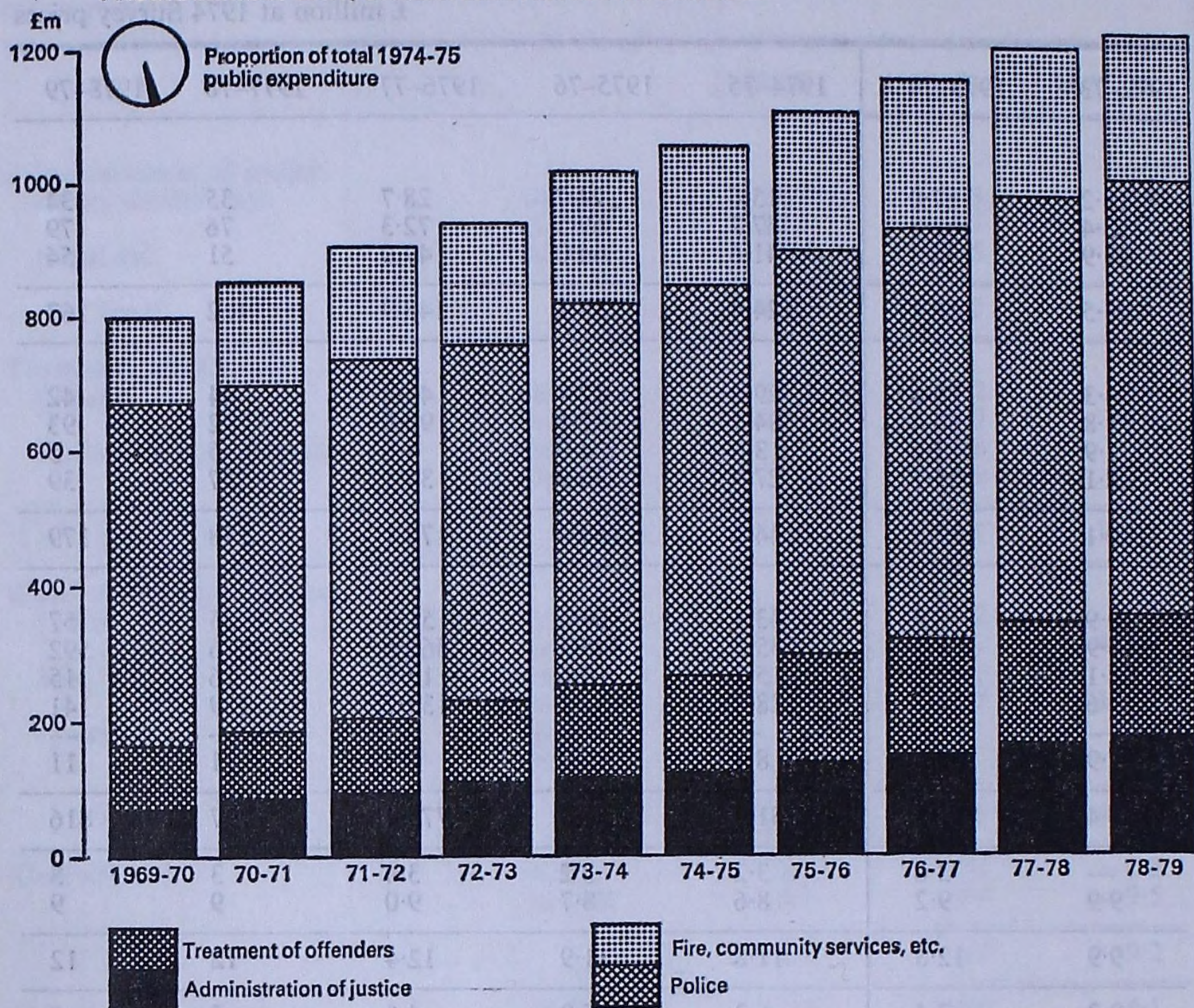
							1969-70	1970-71	1971-72
Administration of justice									
Court services, etc.					capital	...	11.9	14.8	16.1
					current	...	37.1	44.7	49.2
Legal aid					current	...	18.3	21.5	26.5
Total	...	...	...	...			67.3	81.0	91.8
Treatment of offenders									
Prisons					capital	...	19.2	17.2	20.9
					current	...	59.4	65.3	74.0
Probation and after-care					capital	...	0.5	0.8	0.9
					current	...	17.0	18.9	20.8
Total	...	...	...	...			96.1	102.2	116.6
General protective services									
Police					capital	...	36.0	38.2	40.0
					current	...	461.4	474.2	494.4
Fire					capital	...	14.9	15.0	20.9
					current	...	100.6	105.3	114.3
Other					capital	...	—	—	—
					current	...	5.1	6.3	7.3
Total	...	...	...	...			618.0	639.0	676.9
Civil defence									
					capital	...	-6.4	-1.6	-0.3
					current	...	9.3	8.1	9.5
Total	...	...	...	...			2.9	6.5	9.2
Community services									
					capital	...	2.8	10.0	6.1
					current	...	2.7	4.7	7.0
Total	...	...	...	...			5.5	14.7	13.1
Central and miscellaneous services									
					capital	...	—	—	—
					current	...	4.8	5.5	6.4
VAT paid by local authorities					capital	...	0.2	0.2	0.2
					current	...	2.9	3.0	3.3
Law, order and protective services									
					capital	...	79.1	94.6	104.8
					current	...	718.6	757.5	812.7
Total	...	...	...	...			797.7	852.1	917.5
Changes from Cmnd 5519 revalued									
Policy changes	...	...	...	...	...	...
Other changes	...	...	...	...	...	...
Cmnd 5519 revalued	...	...	...	...	...	...

PROTECTIVE SERVICES

£ million at 1974 Survey prices

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
18.2	17.0	15.6	24.7	28.7	35	34
55.4	63.8	67.2	69.5	72.3	76	79
31.9	35.3	41.6	44.0	47.9	51	54
105.5	116.1	124.4	138.2	148.9	162	167
24.3	26.6	29.0	42.4	43.8	44	42
71.8	84.4	84.1	87.1	90.6	92	93
1.9	2.6	3.6	4.0	4.6	5	5
22.1	25.7	27.9	30.9	34.1	37	39
120.1	139.3	144.6	164.4	173.1	178	179
16.9	36.4	43.4	50.4	51.3	55	57
514.9	528.2	535.5	545.3	562.6	576	592
18.1	15.2	15.2	16.6	15.9	16	15
119.6	124.1	128.8	132.7	135.7	139	141
—	—	—	—	—	—	—
7.9	7.6	8.4	9.0	9.9	11	11
677.4	711.5	731.3	754.0	775.4	797	816
—	3.6	3.2	3.2	3.4	3	3
9.9	9.2	8.6	8.7	9.0	9	9
9.9	12.8	11.8	11.9	12.4	12	12
9.3	7.4	6.3	5.9	4.6	5	5
15.8	15.2	18.0	23.6	26.9	27	29
25.1	22.6	24.3	29.5	31.5	32	34
6.8	3.3	7.3	7.5	2.0	—	—
0.3	7.9	7.7	7.6	8.4	9	9
3.3	0.1	0.1	0.2	0.1	—	—
—	3.1	3.6	3.5	3.8	4	4
89.0	112.2	123.7	154.9	154.4	163	161
859.4	904.5	931.4	961.9	1,001.2	1,031	1,060
948.4	1,016.7	1,055.1	1,116.8	1,155.6	1,194	1,221
—	—	—38.0	+7.5	+4.0	+3	—
—	-34.2	+7.8	-43.7	-50.5	-59	—
—	1,050.9	1,085.3	1,153.0	1,202.1	1,250	—

PROGRAMME 9. LAW, ORDER AND PROTECTIVE SERVICES



1. Table 2.9 above shows expenditure on the following: the administration of justice including the detention of persons remanded in custody and of offenders serving sentences, the provision of after-care for released offenders and the various non-custodial penalties available to the courts; services concerned with the protection of people and property—namely the police and fire services; civil defence; the control of immigration; the development of good community relations (including provision for special needs through the Urban Programme) and grants towards certain voluntary services. The greater part of the expenditure is incurred initially by local authorities on services to which the Government contributes by way of specific grants and rate support grant.

Administration of justice

Court services—England and Wales

2. Local authority expenditure on day-to-day running costs of magistrates' and other lower courts, accounts for £26.1 million in 1974-75 rising to £31.7 million in 1978-79 within current expenditure on court services etc. The increase over the period reflects the expanding work-load of the courts and is generally in line with the assumptions in Cmnd 5519. The provision for accommodation is £9.4 million in 1974-75 rising to £13.4 million in 1978-79, about 25 per cent lower than in Cmnd 5519. Provision for payment of costs awarded in magistrates' and crown courts at £8.3 million in 1974-75 rising to £9.8 million in 1978-79 is about $\frac{3}{4}$ million a year more than Cmnd 5519 due to a rise in the estimated number of cases.

Higher courts

3. Table A below shows the pattern of expenditure on the higher courts based on separate forecasts of increased criminal and civil business. Current expenditure on staff and day-to-day running costs of the courts is broadly in line with Cmnd 5519 but the building programme is lower by some 25 per cent.

Table A Higher Courts (England and Wales)

Expenditure figures are in £ million

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
<i>Summary</i>						
Total Net Expenditure	21.0	21.9	26.2	28.1	31.6	31.6
<i>Current Expenditure</i>						
Criminal business	11.1	11.1	11.7	11.9	12.2	12.4
Civil business						
(a) Total expenditure (gross)	20.8	21.7	21.8	21.9	22.0	22.0
(b) Receipts	-17.9	-18.7	-19.0	-19.3	-19.6	-19.9
(c) Net expenditure	2.9	3.0	2.8	2.6	2.4	2.1
<i>Capital Expenditure</i>						
<i>Higher Courts Building Programme</i>						
(a) Expenditure	7.0	7.8	11.7	13.6	17.0	17.1
(b) Number of Court rooms for the Crown Court						
(i) Permanent Court rooms started (in 9 New Court Buildings)	nil	24	25	26	24	nil
(ii) Permanent Court rooms completed ..	nil	nil	nil	nil	2	25
(iii) Temporary Court rooms provided by hirings adaptations or other means	9	14	7	12	nil	nil
(iv) Total Court rooms in use by the Crown Court	252	266	273	285	287	312
<i>Number of Cases/Proceedings (thousands)</i>						
<i>Criminal business</i>						
Crown Courts—cases disposed of	43	46	49	53	56	59
<i>Civil business</i>						
(a) High Court—proceedings commenced	308	309	310	311	312	313
(b) County Courts—proceedings commenced	1,556	1,570	1,580	1,590	1,600	1,610
<i>Estimated Number of Staff in Post as at 31 March</i>						
Criminal business	2,055	2,213	2,327	2,369	2,499	2,524
Civil business	7,843	7,886	7,900	7,930	7,932	7,933

Court services—Scotland

4. Capital expenditure on sheriff court buildings aimed at urgent improvement and the provision of new court houses rises from £0.8 million in 1974-75 to £3.8 million in 1978-79; about 12 per cent lower than in Cmnd 5519.

Other services related to crime

5. Payments by the Criminal Injuries Compensation Board are forecast to rise from £5.7 million in 1974-75 to £9 million in 1978-79. This assumes an intake of 14,000 cases in 1974-75 rising to just over 22,000 in 1978-79 and is broadly in line with the assumptions in Cmnd 5519. More detailed information can be found in the Tenth Report of the Criminal Injuries Compensation Board (Cmnd 5791).

Legal Aid

6. The object of the expenditure is to make legal aid, advice and assistance available to persons of limited means. The scope of the schemes is fixed by statute, so that the level of expenditure depends on the number of eligible applicants. Eligibility in turn depends on the capital and income limits. Income limits are reviewed annually and capital limits from time to time as necessary.

7. Expenditure in England and Wales is expected to rise steadily over the period mainly because of the rise in criminal business. Compared with Cmnd 5519 there is an increase of £2.9 million over the period 1974-75 to 1977-78 because the costs in criminal cases are higher than previously forecast. The number of civil cases in 1974-75 is expected to be about 180,000 and to rise by about 2 per cent a year thereafter. Criminal cases in 1974-75 are expected to be about 240,000 and to rise by about 9 per cent a year thereafter. In 1974-75 criminal business accounts for just over 50 per cent of legal aid expenditure. This rises to about 60 per cent by 1978-79.

8. Scottish expenditure is expected to rise by only about 2½ per cent over the Survey period.

Treatment of offenders

Prisons

9. The main assumption is that the total number of persons held in prison will rise from 41,700 in 1974-75 to 45,800 by 1978-79. This revised forecast takes account, among other things, of the continuing tendency of the courts to award non-custodial sentences to an increasing proportion of offenders.

10. The total number of non-industrial staff is expected to rise by 6,500. Provision is made for the continued use of probation officers and supporting staff for welfare work in prisons and training borstals in England and Wales. It is expected that about 420 probation officers will be so employed in 1974-75 rising to 490 in 1978-79, a rather slower rate of growth than that previously envisaged. A gradual increase is also expected in the number of local authority social workers employed in prisons in Scotland.

11. The capital programme has been reviewed in the light of the expected size of the prison population and of the resources which can be made available. It is now expected that the number of prison places will increase by some 6,800 during the 5 year period. The total number of places available would then come near the expected number required (but see explanatory note to Table B following paragraph 24). The programme

also allows for a modest start to be made on the replacement of some out-dated Victorian buildings and hutted camps, by new establishments or by redevelopment on existing sites.

12. Expenditure on staff quarters and on schemes to improve facilities at existing establishments (for example workshops and visiting rooms) is expected to average some £17 million a year. The estimated expenditure includes the cost of providing about 3,300 new staff quarters, including those to be provided at new establishments.

Probation and after-care

13. The principal assumption for England and Wales is that the number of probation officers will rise from 4,180 to 5,640 over the period. These figures reflect recently improved recruitment and reduced wastage. Following local government reorganisation the number of community service schemes will be reduced to 50 compared with 78 previously forecast. They will however cover the same areas at the same cost. The programme makes provision for an additional 1,600 places in adult hostels and bail hostels (1,800 in Cmnd 5519) and for an expansion of the day training centres scheme from the 4 at present operating to about 20 by the end of the period. It is expected that voluntary organisations will provide an additional 240 after-care hostel places each year (an increase of 40 a year compared with the estimate in Cmnd 5519).

14. In Scotland, probation and after-care are provided for in the Health and Personal Social Services Programme.

General protective services

Police

15. The aim of the programme is to provide an adequate and efficient police force by building up police strengths and improving facilities for training and scientific and technical support. The estimates assume a growth in police strength from 112,225 to 122,750 compared with a growth of about 10,300 in the previous five years. The projected increase of 10,525 (rather lower than that assumed in Cmnd 5519) is a more realistic estimate reflecting recent trends in recruitment and wastage; it does not imply that any lower priority is to be given to strengthening the police. Should the increase exceed these estimates, provision will be made for additional expenditure within authorised establishments.

16. During the period the number of civilians is expected to increase from 44,680 to 52,830 which includes provision for an additional 4,430 traffic wardens. These estimates, lower than those previously forecast, also reflect recent recruitment trends.

17. Compared with Cmnd 5519 the estimates for capital expenditure on sites and operational buildings have been reduced by spreading forward the building programme over a longer period. Starts on some headquarters and other operational buildings will be delayed, in some cases to dates beyond the present Survey period. Provision is made for replacing some forensic science laboratories and police training centres but on a reduced scale. The planned expansion of the Police Colleges will proceed and continued provision is made for the Police National Computer.

Fire services

18. The estimates assume an increase over the period in the number of whole-time firemen from 30,550 to 34,500. These numbers include the additional manpower required for the introduction of the 48 hour week in November 1974. Civilian staff are expected to rise from 5,165 to 5,950; retained (part-time) and junior firemen are expected to remain at 16,400 and 150 respectively throughout the period.

19. Capital expenditure including provision for improving local facilities for training recruits has been reduced by comparison with Cmnd 5519. This will have the effect of deferring parts of the programme by up to two years.

20. The effects of the Fire Precautions (Loans) Act 1973 are estimated at £2.0 million for 1974-75, but are expected to fall to £0.3 million by the end of the period.

Other

21. This programme covers control of immigration, the cost of the Immigration Appeals Tribunal and the Immigrants Advisory Service. The increase over the period reflects the cost of additional staff to deal with the expected continuing increase in work in accordance with the current trend.

Community services

22. The estimates show an increase of 38 per cent over the period. There are two main reasons for this: first the increase in expenditure on the Urban Programme which is expected to rise from £18.7 million in 1974-75 to £24.0 million in 1978-79; secondly, provision for the establishment of the Equal Opportunities Commission amounting to £1.5 million in 1975-76 rising to £3.0 million in 1976-77 and later years.

23. The remainder of the provision is mainly for grants by the Home Departments to statutory and voluntary bodies. The total level of grants to voluntary bodies remains unaltered since Cmnd 5519. Responsibility for the Voluntary Services Unit has been transferred from the Lord Privy Seal to the Home Secretary.

Other information

Treatment of offenders

24. Table B provides a simple framework within which the allocation of resources to the prison service may be related to the planned use of these resources and their projected outputs. Other information of a non-financial character is published in the annual reports of the work of the Prison Services, reports on the work of the Probation and After-Care Service and the annual reports of HM Chief Inspectors of the Police and Fire Services.

Table B

Prison Service

Expenditure at 1974 Survey prices

	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
A. Summary							
1. Total net expenditure (£m)	96.1	111.0	113.1	129.5	134.4	136	135
B. Current Expenditure							
2. (a) Salaries and other staff expenses (£m)	59.4	70.4	67.6	70.2	73.3	75	78
(b) Other net current expenditure (£m)	12.4	14.0	16.5	16.9	17.3	17	15
(c) Total net current expenditure (£m)	71.8	84.4	84.1	87.1	90.6	92	93
3. Daily average inmate population	43,300	41,200	41,700	42,400	43,400	44,600	45,800
4. Annual current cost per inmate							
Item 2(c)†							
Item 3	(£) 1,658	2,049	2,017	2,054	2,088	2,063	2,031
5. Number of staff in post as at 31 March:							
(a) Outstations							
(i) Prison officer grades and other non-industrials	18,940	19,010	19,880	21,600	22,900	24,180	25,320
(ii) Industrials	2,160	2,170	2,350	2,520	2,620	2,740	2,850
(b) HQ and Regional Administration	750	850	850	890	930	980	1,030
(c) Total staff in post	21,850	22,030	23,080	25,010	26,450	27,900	29,200
6. Staff/Inmate Ratio							
Item 5(a) (i)							
Item 3	.. .. 1 : 2.3	1 : 2.2	1 : 2.1	1 : 2.0	1 : 1.9	1 : 1.8	1 : 1.8
C. Capital Expenditure							
7. Total capital expenditure (£m)	24.3	26.6	29.0	42.4	43.8	44	42
8. Number of new inmate places							
(a) started	2,100	2,110	1,050	1,230	770	1,660	1,020
(b) completed	550	500	1,890	1,700	1,130	1,990	1,400
9. Total number of inmate places available at end of financial year*	40,240	40,740	41,520	43,010	44,140	46,130	47,530
10. Staff quarters							
(a) Total requirement at end of year	12,050	11,990	12,570	13,720	14,560	15,400	16,120
(b) Stock at beginning of year	10,320	10,940	11,390	11,840	12,470	13,220	13,930
(c) Provided during year ..	620	450	450	630	750	710	730
(d) Deficit at end of year ..	1,110	600	730	1,250	1,340	1,470	1,460

†These figures are not comparable with those given for earlier years in Appendix 4 of the Annual Report on the Work of the Prison Department (England and Wales), which include allied service expenditure but exclude professional fees and HQ and Regional administration costs.

*The figures reflect the reduction in places by the proposed closure of 6 open establishments in 1974-75 and 1975-76.

Explanatory note

There are several reasons why some overcrowding is likely to persist even though the total number of places available in the system is rather more than the predicted population.

In establishments which have to accept people committed to custody, ie local prisons and remand centres, a proportion of the available places must be kept in reserve to accommodate fluctuating and unpredictable numbers remanded by the courts. Experience suggests that in such establishments a margin of places of at least 5 per cent in excess of uncrowded capacity is desirable.

The increasing specialisation of training establishments means that there is less opportunity to transfer inmates from one type of establishment to another. For example vacancies in open prisons cannot be filled by prisoners who are unsuitable for open conditions. Neither is it generally possible to transfer young offenders—particularly those under 17—to other types of training establishments which may have vacancies.

CHANGES IN EXPENDITURE

25. The main policy changes since Cmnd 5519 are the reductions made as a result of the general measures announced by the last Government on 17 December 1973; and of the further review of public expenditure by the present Government, together with the addition of provision for the Equal Opportunities Commission.

26. The main estimating changes are that provision is made for a slower rate of increase in police strengths, a reduced police building programme, a revised prison building programme and increased provision for the cost of legal aid.

10. EDUCATION AND LIBRARIES,

TABLE 2.10

						1969-70	1970-71	1971-72
Schools								
Under fives	...	...	...	capital ⁽¹⁾	...	—	—	—
				current ⁽²⁾	...	—	—	—
Primary, secondary and other	...			capital	...	381.0	436.3	501.2
Primary	...			current	...	674.3	695.6	747.5
Secondary	...			current	...	741.2	762.6	828.2
Other	...			current	...	162.1	171.4	192.0
Meals	...			...	...	161.0	155.5	155.1
Milk	...			...	...	14.0	14.8	9.6
Higher and further education	...			capital	...	215.4	222.2	220.4
				current	...	873.9	920.4	961.7
Libraries								
Purchase grants	...			...	...	1.0	1.4	1.4
Other	...			...	...	82.9	89.4	95.1
Miscellaneous educational services, research and administration								
Youth services, etc.	...			capital	...	13.0	11.3	11.8
				current	...	29.7	31.1	32.5
Research and other services	...			...	...	4.8	5.0	4.8
Administration	...			...	...	110.1	116.1	120.8
VAT paid by local authorities	...			...	...	35.5	39.1	41.8
Total education and libraries								
				capital	...	654.2	720.8	787.7
				current	...	2,845.7	2,951.4	3,136.2
Total						3,499.9	3,672.2	3,923.9
Research Councils, etc.						142.0	150.0	165.0
Arts								
National museums and galleries								
Capital expenditure	...			...	...	1.8	2.1	3.8
Annual purchase grants	...			...	...	1.5	2.3	2.1
Other current expenditure	...			...	...	7.7	8.5	10.1
Local museums and galleries								
				capital	...	1.1	1.2	2.5
				current	...	6.4	7.7	8.2
Arts Council and other arts								
				capital	...	1.0	3.1	3.3
				current	...	12.6	14.5	16.6
Total arts								
				capital	...	3.9	6.4	9.6
				current	...	28.2	33.0	37.0
				total	...	32.1	39.4	46.6
Total education and libraries, science and arts								
				capital	...	682.2	750.1	823.1
				current	...	2,991.8	3,111.5	3,312.4
Total						3,674.0	3,861.6	4,135.5
Changes from Cmnd 5519 revalued								
Policy changes	...			...	...
Other changes	...			...	...
Cmnd 5519 revalued	...			...	...

(1) New nursery programme only.

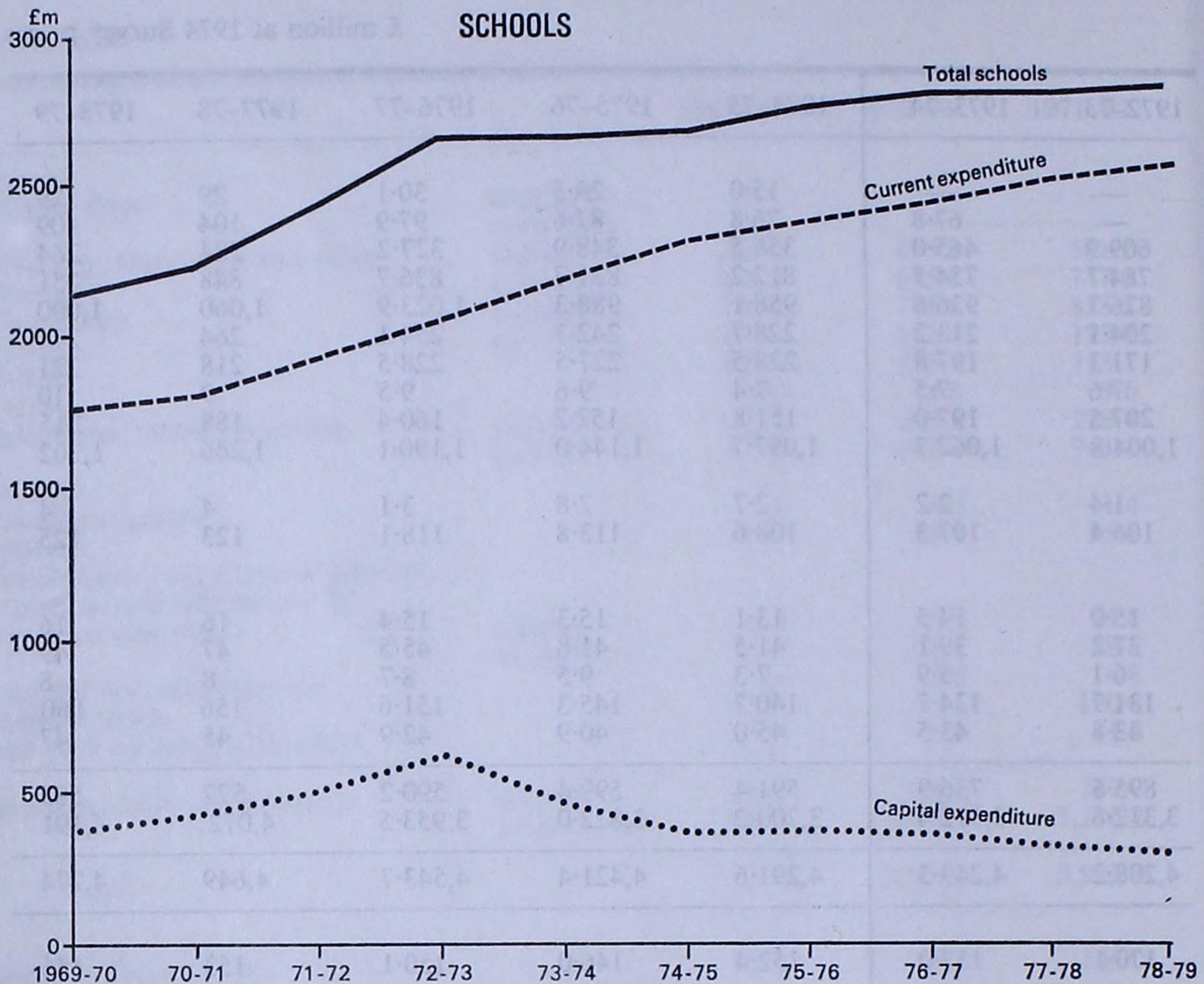
(2) Separate expenditure figures not available before 1973-74.

SCIENCE AND ARTS

£ million at 1974 Survey prices

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
—	—	15.0	29.5	30.1	29	29
—	67.8	76.8	87.6	97.9	104	109
609.9	465.0	356.5	348.9	327.2	284	264
784.7	754.5	812.2	821.7	836.7	848	851
876.7	936.6	958.1	988.3	1,023.9	1,060	1,090
204.1	213.2	228.7	242.7	254.1	264	274
171.3	197.8	228.5	227.5	228.5	218	221
7.6	7.5	7.4	9.6	9.5	9	10
207.5	197.0	151.8	152.2	160.4	188	215
1,004.8	1,062.7	1,097.7	1,144.0	1,190.1	1,246	1,302
1.4	2.2	2.7	2.8	3.1	4	4
106.4	107.3	108.6	113.8	118.1	123	125
15.0	14.5	13.1	15.3	15.4	16	16
37.2	39.1	41.5	41.8	45.5	47	49
6.1	5.9	7.3	9.5	8.7	8	8
131.7	134.7	140.7	145.3	151.6	156	160
43.8	43.5	45.0	40.9	42.9	45	47
895.6	736.9	591.4	599.4	590.2	577	583
3,312.6	3,512.4	3,700.2	3,822.0	3,953.5	4,072	4,191
4,208.2	4,249.3	4,291.6	4,421.4	4,543.7	4,649	4,774
170.1	157.0	152.4	146.0	150.1	153	156
1.3	2.4	4.8	6.2	5.7	5	5
3.0	1.9	1.8	2.0	2.0	2	2
10.7	10.5	14.4	12.0	12.2	13	13
2.4	3.9	1.9	2.2	1.6	2	2
9.2	9.8	10.1	10.4	11.1	11	11
4.8	4.1	7.0	1.9	3.5	4	4
17.5	19.9	23.4	22.1	23.2	26	28
8.5	10.4	13.7	10.3	10.8	11	11
40.4	42.1	49.7	46.5	48.5	52	54
48.9	52.5	63.4	56.8	59.3	63	65
930.3	770.1	628.6	630.7	622.2	610	615
3,496.9	3,688.7	3,878.8	3,993.5	4,130.9	4,255	4,380
4,427.2	4,458.8	4,507.4	4,624.2	4,753.1	4,865	4,995
	+0.2	-227.2	+18.0	+9.0	+2	
	-137.1	+66.7	-244.6	-300.6	-375	
	4,595.7	4,667.9	4,850.8	5,044.7	5,238	

PROGRAMME 10. EDUCATION AND LIBRARIES, SCIENCE AND ARTS



Education and libraries

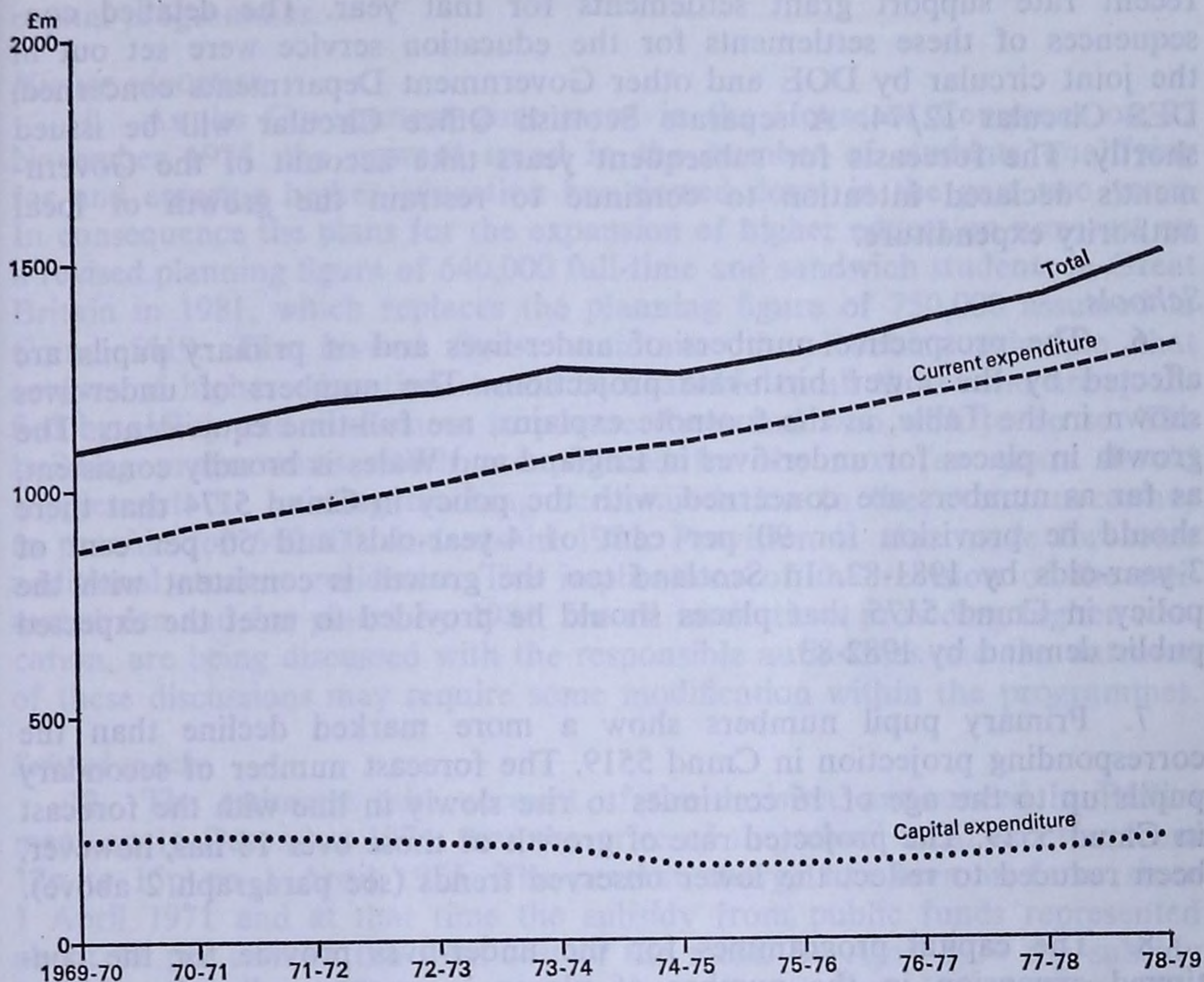
General

1. The Government's plans for education expenditure envisage a prospective growth between 1974-75 and 1978-79 of £482 million, representing an annual average growth of 2.7 per cent.

2. The demand for education in the coming years is now forecast to grow at a slower rate than was expected 12 months ago. There are several reasons for this change. First, the birth-rate projections are lower. Secondly, the latest evidence shows that earlier forecasts of the number of children staying on at school beyond the statutory school leaving age were too high. Thirdly, the number of pupils qualified to enter higher education is now expected to increase less rapidly than in earlier projections and, of those who are qualified, fewer seem likely now to enter it so that the continuing expansion of higher education will be at a slower rate.

3. These demographic and related changes reduce the forecasts of expenditure which are directly related to pupil and student numbers. Thus within a growth rate of 2.7 per cent a year it is possible to provide for the continued development of nursery education, for some improvement and replacement of school buildings and for a substantial special school building programme. But these changes also give rise to problems of future planning since their incidence on different institutions of higher education will require further examination and will be the subject of consultations with those responsible for planning the institutions. Similarly, consultation with local

FURTHER AND HIGHER EDUCATION



authorities and other bodies will be necessary before specific policy decisions are taken on the staffing of schools (see paragraph 9).

4. The following Table shows the forecasts of the number of pupils and students underlying the expenditure projections in Table 2.10 above.

	1974-75	1975-76	1976-77	1977-78	1978-79
Schools (1)					
Under fives ⁽²⁾	393	449	496	513	528
Primary pupils	5,444	5,357	5,268	5,132	4,964
Secondary pupils to age 16 ...	3,654	3,753	3,822	3,858	3,853
Over 16	554	580	611	639	667
Non-advanced further education (3)	674	696	718	742	765
Higher education (4)	516	536	561	583	603

(1) Estimates for January in the relevant year.

(2) The figures, which cover nursery pupils and pupils in primary schools, take account of the proportionate demand on facilities of part-time pupils and are expressed as full-time equivalents.

(3) The figures are estimated for the academic year beginning in the relevant financial year and are expressed as full-time equivalents of students undertaking non-advanced level work at establishments of further education.

(4) The figures are estimated for the academic year beginning in the relevant financial year. They take into account full-time students at universities, full-time equivalents of students and serving teachers undertaking advanced level work at polytechnics and other establishments of further education. For technical reasons, the numbers of students in higher education and in further education in this table are not classified in the same way as expenditure in these sectors in Table 2.10.

5. The current expenditure forecasts shown in the Table above for 1975-76 reflect the Government's decision to seek considerable restraint

in local authority expenditure during that year, as demonstrated by the recent rate support grant settlements for that year. The detailed consequences of these settlements for the education service were set out in the joint circular by DOE and other Government Departments concerned, DES Circular 12/74. A separate Scottish Office Circular will be issued shortly. The forecasts for subsequent years take account of the Government's declared intention to continue to restrain the growth of local authority expenditure.

Schools

6. The prospective numbers of under-fives and of primary pupils are affected by the lower birth-rate projections. The numbers of under-fives shown in the Table, as the footnote explains, are full-time equivalents. The growth in places for under-fives in England and Wales is broadly consistent, as far as numbers are concerned, with the policy in Cmnd 5174 that there should be provision for 90 per cent of 4-year-olds and 50 per cent of 3-year-olds by 1981-82. In Scotland too the growth is consistent with the policy in Cmnd 5175 that places should be provided to meet the expected public demand by 1982-83.

7. Primary pupil numbers show a more marked decline than the corresponding projection in Cmnd 5519. The forecast number of secondary pupils up to the age of 16 continues to rise slowly in line with the forecast in Cmnd 5519. The projected rate of growth of those over 16 has, however, been reduced to reflect the lower observed trends (see paragraph 2 above).

8. The capital programmes for the under-fives provide for the continued expansion in the number of places in nursery education, either by new building or by adapting surplus places in primary schools (which will form an increasing proportion of the total number of places available for the under-fives in England and Wales). For primary and secondary schools provision is made for the necessary new places to ensure that all children can be accommodated and there is a continuing programme for the replacement and improvement of old schools. Substantial capital provision is made for special schools and units to meet the need for additional places and to improve unsatisfactory accommodation.

9. The Government is currently reviewing its teacher supply policy in England and Wales in the light of the continuing fall in the number of births. The figures in the programme will need to be revised in the light of decisions taken as a result of that review. Factors which must be taken into consideration include the time-lag in securing reductions in the output of the colleges of education, the need to keep a sound teacher training system in being, changes in wastage rates and the need to find room for valuable older recruits, including married women returning to the teaching profession. Meanwhile a small reduction has been made in the number of teachers previously assumed to be employed in 1978-79. In Scotland the programme provides for the achievement and maintenance of the staffing standards assumed in Cmnd 5175.

Further education

10. In non-advanced further education, which includes the important group of young people between 16 and 19 following vocational courses of many kinds, the statistics point to a rising trend in numbers for which

provision has been made, both in current expenditure and in prospective capital programmes.

Higher education

11. As the Government announced in the House of Commons on 25 November 1974, the upward trend in the number of students qualifying for and entering higher education has slowed down in the past two years. In consequence the plans for the expansion of higher education now rest on a revised planning figure of 640,000 full-time and sandwich students in Great Britain in 1981, which replaces the planning figure of 750,000 assumed in Cmnd 5519. The revised figure maintains the Robbins principle that courses of higher education should be available to all those who are qualified by ability and attainment to pursue them and who wish to do so. The building programmes which are planned for the next few years should supplement the existing teaching accommodation to the extent necessary to provide for 640,000 students in 1981. Provision is also made for some additional student residence. The implications of the revision of the estimated demand for places by 1981, for all institutions providing higher education, are being discussed with the responsible authorities and the outcome of these discussions may require some modification within the programmes.

School meals

12. The estimates take account of the decision, announced in Parliament on 16 December 1974, that the price of the school meal will rise from 12p to 15p on 1 April 1975. The present charge has been in force since 1 April 1971 and at that time the subsidy from public funds represented about 37 per cent of the total cost of the meal. By April 1974 the subsidy had risen to about 56 per cent and since then it has risen further. The increase in the charge to 15p is expected to reduce the subsidy to about the same level as in April 1974. When the charge is raised an adjustment will be made to the income scales used for assessing eligibility for free school meals. The estimates also assume that the price of the school meal will be increased annually in 1976 and thereafter in order to maintain the subsidy at a broadly constant proportion of the total cost.

Research councils etc

13. The forecasts for Research Councils, etc, represent expenditure collectively known as the Science Budget, for which the Secretary of State for Education and Science is responsible. It relates to expenditure by the five Research Councils (Agricultural, Medical, Natural Environment, Science, and Social Science), the British Museum (Natural History) and a grant-in-aid to the Royal Society for scientific purposes. The Secretary of State is advised on its allocations by the Advisory Board for the Research Councils. The Science Budget was allocated in 1974-75 Estimates as follows:

	£ million
Agricultural Research Council	15.1
Medical Research Council	26.1
Natural Environment Research Council	16.1
Science Research Council	83.5
Social Science Research Council	6.8
Natural History Museum*	2.6
Royal Society	1.5
Total	151.7

* Includes provision for major building.

14. The figures for 1974-75 and 1975-76 reflect the decision announced in the 1972 White Paper "Framework for Government R & D" (Cmnd 5046) to transfer certain sums phased over three years starting in 1973-74, from the Science Budget to customer departments for the purpose of commissioning applied research. 1975-76 is the last year of this transitional period.

15. The purpose of the research financed from the Science Budget is to develop the sciences as such, to maintain a fundamental capacity for research and to support higher education. It covers a wide spectrum of activity, ranging from investigation of human and animal health and behaviour through the causes of, and cures for pollution, to the mapping of earth, sea and sky and the investigation of the laws of physical matter.

16. The distribution of expenditure between different types of activity varies from one Research Council to another, as Table A illustrates.

17. A major part of the expenditure of the Agricultural, Medical and Natural Environment Research Councils is incurred on the maintenance of research establishments and units to provide a fundamental research capability, to meet the needs of customer departments for applied research, and to advance the standard of scientific excellence in specific fields. In the case of the Science and Social Science Research Councils, a larger proportion of their budget is expended on support for universities, including the provision of postgraduate awards. The Science Research Council's expenditure on international research centres such as CERN, provides central facilities for the use of university research workers, especially in fields such as nuclear physics and astronomy, which call for heavy expenditure on plant and equipment.

18. The provision for Research Council expenditure for 1974-75 onwards includes an element for the relocation of the headquarters of the Science and Natural Environmental Research Councils in a building to be constructed in Swindon.

Arts

19. Provision for current expenditure by the national museums and galleries caters for the maintenance of, and additions to, the collections and for the manning of extensions due for completion in this period.

20. Provision for current expenditure on the Arts Council and other arts includes provision from 1977-78 for the proposed introduction of a Public Lending Right, which will be dependent on legislation.

21. In each of the years 1973-74 and 1974-75, a special allocation of £1 million was made for expenditure on arts in the regions, particularly in the assisted areas. From this allocation additions of £0.07 million and £0.01 million were made to the provisions for current expenditure of the Arts Council and British Film Institute.

22. The British Film Institute continues to help with the development of film theatres (often in collaboration with the Regional Arts Associations and in association with the Arts Council) and to maintain and improve

Table A

Science Budget expenditure,* in percentage terms, on University support and other activities

	Council Directed Research	Grants to Universities and other bodies	Subscriptions to International Organisations	Postgraduate Training and Fellowships	Administration and Central Expenses	Total	Research Council Expenditure as a % of total
ARC	90	6	—	—	4	100	10
MRC	59	30	2	6	3	100	18
NERC	78	10	—	7	5	100	11
SRC	39	24	24	10	3	100	56
SSRC	6	35	1	49	9	100	5
Categories of Expenditure as a % of TOTAL EXPENDITURE ...	49	23	14	10	4	100	100

* Based on 1974-75 Estimates, excluding grants in aid for the Natural History Museum and the Royal Society (3 per cent of total).

66

Table B

Awards made by Research Councils

	1 October 1969	1 October 1970	1 October 1971	1 October 1972	1 October 1973
Post-Graduate Awards					
ARC	—	2	15	20	14
MRC	301	322	358	400	414
NERC	392	426	443	452	448
SRC	3,607	3,887	3,935	3,866	3,644
SSRC	1,210	1,536	1,538	1,743	1,835
Total	5,510	6,173	6,289	6,481	6,355
Bursaries					
SSRC	400	608	625	603	582
Intercalated Awards					
MRC	255	277	303	284	300

the National Film Archive. The National Film School is now in its fourth full academic year with 75 students.

23. Provision of £0.4 million a year is made for the Crafts. The grant for 1974-75 included additional provision to enable the Crafts Advisory Committee to examine the crafts related to conservation and to suggest ways of encouraging the skills essential to this work.

24. Capital provision continues to be made for assistance by the Arts Council and the British Film Institute towards Housing the Arts and Housing the Cinema. Since the introduction of the scheme for Housing the Arts 217 projects have benefitted or been promised support. The total cost of these projects (actual and estimated) is £34.5 million, of which the Arts Council's contribution is £5.8 million.

25. The figure for capital expenditure in 1974-75 is substantially higher than in later years, primarily because of the provision for purchase of a site for the possible extension at a future date of the Royal Opera House, Covent Garden.

CHANGES IN EXPENDITURE

26. The reduction in the programme for 1974-75 compared with Cmnd 5519 was part of the general reduction in public expenditure announced by the former Administration on 17 December 1973. The reductions in the programmes for subsequent years show the effect of the downward revision in demographic and other forecasts on different parts of the education service, as explained in paragraphs 2-11 above.

11. HEALTH AND PERSONAL

TABLE 2.11

		1969-70	1970-71	1971-72
Health				
Capital expenditure				
Hospitals and community health services	...	253.7	270.0	301.3
Family practitioners	... ..	0.2	0.2	0.2
Other health services	... ..	6.5	6.0	6.0
Current expenditure				
Hospitals and community health services	...	1,793.2	1,834.9	1,918.7
Family practitioners	... ..	593.5	612.3	612.2
Other health services	... ..	32.6	36.4	39.4
Health				
	capital	260.4	276.2	307.5
	current	2,419.3	2,483.6	2,570.3
Total		2,679.7	2,759.8	2,877.8
Personal social services				
Capital expenditure				
Central Government	... ..	1.0	1.1	1.0
Local authorities	... ..	49.3	56.3	63.3
Current expenditure				
Central Government	... ..	7.6	9.1	9.6
Local authorities	... ..	285.5	307.9	340.3
Personal social services				
	capital	50.3	57.4	64.3
	current	293.1	317.0	349.9
Total		343.4	374.4	414.2
Central and miscellaneous services				
	capital	0.3	0.3	0.8
	current	98.8	98.3	69.0
Total		99.1	98.6	69.8
VAT paid by local authorities				
	capital	0.4	0.5	0.6
	current	2.6	2.6	2.5
Total		3.0	3.1	3.1
Health and personal social services				
	capital	311.4	334.4	373.2
	current	2,813.8	2,901.5	2,991.7
Total		3,125.2	3,235.9	3,364.9
Changes from Cmnd 5519 revalued				
Policy changes	... ..		
Other changes	... ..		
Cmnd 5519 revalued	... ..		

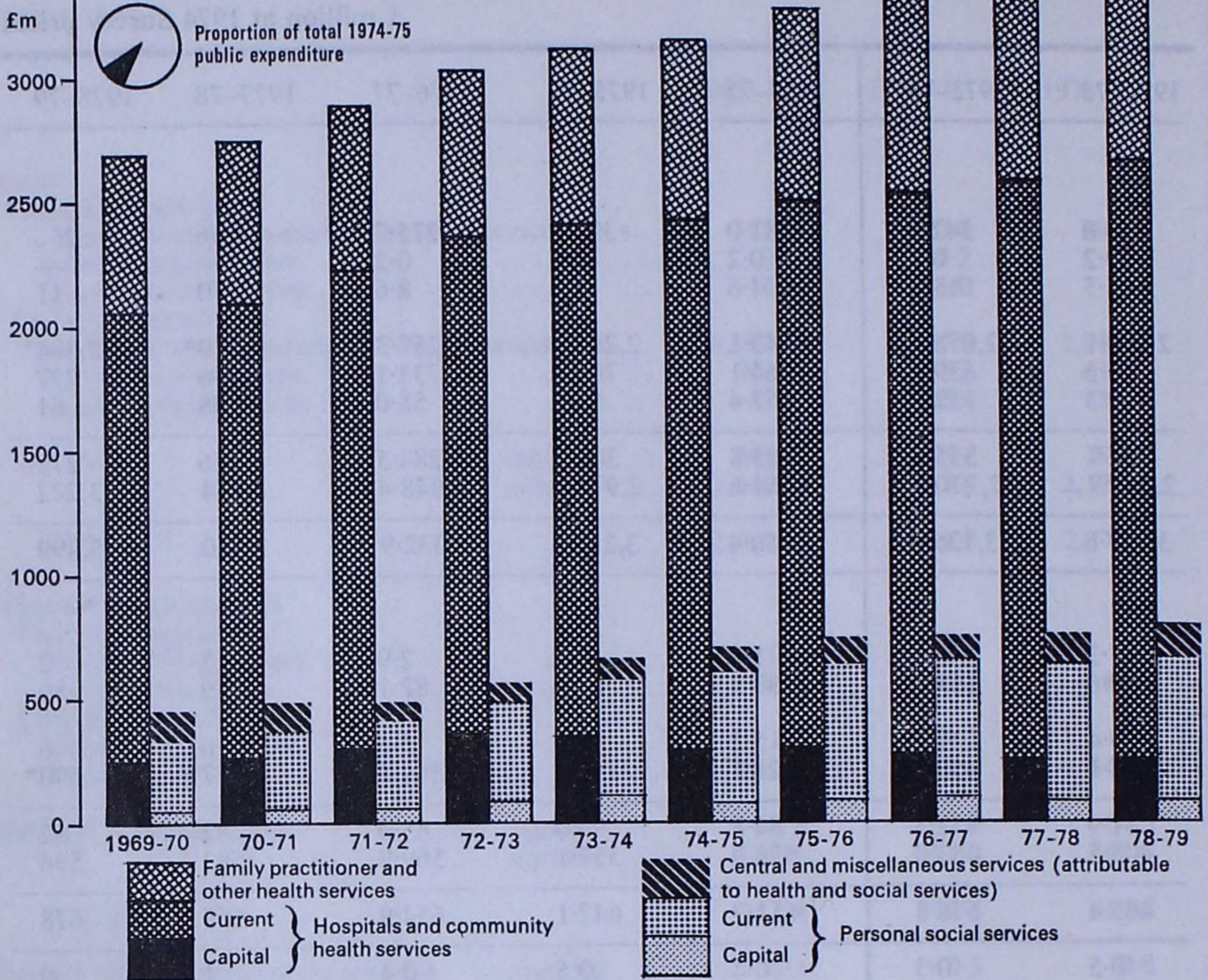
SOCIAL SERVICES

£ million at 1974 Survey prices

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
355.0	342.5	281.0	302.7	275.7	266	266
0.2	0.2	0.2	0.2	0.2	—	—
6.5	13.1	4.6	5.3	8.6	10	11
2,000.1	2,078.7	2,143.1	2,209.6	2,257.3*	2,320*	2,384*
623.5	639.5	664.1	706.4	733.1	756	777
42.3	52.6	57.4	58.1	58.0	58	61
361.7	355.8	285.8	308.2	284.5	276	277
2,665.9	2,770.8	2,864.6	2,974.1	3,048.4	3,134	3,222
3,027.6	3,126.6	3,150.4	3,282.3	3,332.9	3,410	3,499
1.3	1.5	1.6	2.2	2.9	3	2
80.6	111.8	83.2	87.8	82.1	79	80
9.4	7.0	5.2	5.1	5.5	6	6
394.1	456.0	521.7	552.0	564.4*	577*	590*
81.9	113.3	84.8	90.0	85.0	82	82
403.5	463.0	526.9	557.1	569.9	583	596
485.4	576.3	611.7	647.1	654.9	665	678
0.5	0.3	0.4	0.5	0.4	1	0
71.7	80.1	94.3	98.6	101.5	109	115
72.2	80.4	94.7	99.1	101.9	110	115
0.7	0.6	0.8	0.8	0.8	1	1
2.4	2.7	2.8	2.4	2.5	3	3
3.1	3.3	3.6	3.2	3.3	4	4
444.8	470.0	371.8	399.5	370.7	360	360
3,143.5	3,316.6	3,488.6	3,632.2	3,722.3	3,828	3,936
3,588.3	3,786.6	3,860.4	4,031.7	4,093.0	4,188	4,296
—	—	-107.8	+82.9	+48.3	+40	
	+2.2	+74.1	-79.9	-107.2	-140	
	3,784.4	3,894.1	4,028.7	4,151.9	4,288	

* The final allocation of the available resources between these two services depends upon planning decisions still to be taken.

PROGRAMME 11. HEALTH AND PERSONAL SOCIAL SERVICES



1. The only significant change in the scope of the programme compared with Cmnd 5519 is the inclusion of expenditure on school health services (previously in the "Education" programme). Local authority health services were also transferred to the new health authorities on 1 April 1974 and the relevant expenditure is now shown under the heading "Hospitals and community health services".

2. The aim of the programme is to provide, within the resources available, health and personal social services for the whole population, with particular emphasis on helping people who have special needs, such as the elderly, the mentally ill and handicapped and the young. The reorganisation of the NHS on an integrated basis on 1 April 1974 and the development of closer collaboration between the NHS and local authority personal social services will enable better use to be made of available resources and will facilitate the planning of complementary and interdependent services. Further efforts will be made to reduce the inequalities in standards of service which exist between different areas, to ensure that the services available in any area are more closely related to its particular needs and to work towards a widening of the range of services throughout the whole country. As in most other countries, there are constantly rising expectations about the quality and quantity of health and social care and pressures to do more whenever resources permit. New developments in the provision of care, such as the primary health care teams working in the growing number of health centres and elsewhere, and new methods of providing support and assistance will continue to be encouraged.

3. Expenditure is planned to grow in real terms (excluding the relative price effect) over the period 1974-75 to 1978-79 at an average of 2.7 per cent a year.

Hospitals and community health services

4. Provision has been made for capital expenditure of £303 million in 1975-76, including a special increase for that year which brings the total to a figure £22 million above that for 1974-75, and this will enable a limited number of substantial new building schemes to go ahead. Top priority will be given to facilities for primary care and there will be increased expenditure in 1975-76 on health centres. Present levels of capital expenditure will be maintained in the geriatric, mental illness and mental handicap fields. Everything possible will be done to ensure that capital schemes vital for medical training are not affected. Provision has been made for a modest amount of capital expenditure to be directed specifically at reducing waiting lists.

5. The provision for capital expenditure over the remaining years to 1978-79 is lower than in 1975-76. The capital programme for these years will therefore be reviewed urgently in consultation with the health authorities to determine the most effective strategy for deploying the available resources. Many important schemes which it had been planned to start in these years will have to be deferred; and many schemes are likely to have to be significantly modified in the light of the review which is to take place.

6. Current expenditure on hospital and community health services will continue to grow in real terms at about 2.7 per cent a year from 1974-75 to 1978-79. Part of the annual growth is needed to provide services for the growing and ageing population and to meet the additional running costs of new hospitals and other facilities.

7. The number of hospital in-patients treated rose from 5.8 million in 1968 to 6.3 million in 1973 and it is expected that the number of in-patients will increase in the period up to 1978-79. The provision of particular services will reflect new patterns of care—for example, the annual total of psychiatric day patients has grown at 13.2 per cent a year since 1968-69. Further information on the scale and scope of health services can be found in the annual publications "Health and Personal Social Services Statistics" for England and Wales, in the Annual Reports of the Department of Health and Social Security, Scottish Home and Health Department, and the Welsh Office and the Annual Report of the Chief Medical Officer of the Department of Health and Social Security.

Family practitioner services

8. Primary care is provided through contractual arrangements with the practitioners taking part in the general medical, dental and ophthalmic services and the pharmaceutical service. These services will play an increasing rôle in the reorganised NHS as more progress is made in switching from in-patient treatment to care in the community. More opportunities will occur in the reorganised service for the family practitioners to be involved in the development of a total health care plan for the areas in which they operate. The forecasts of increasing expenditure reflect the expectation that

there will be both greater demand on the services and more manpower to meet the demand.

9. The extent to which the various services are used at present is illustrated by the following figures for 1973-74:

Patients on doctors' lists—56 million

Prescriptions dispensed—313 million

Dental Treatments (courses and emergencies)—27 million

Sight Tests—8 million

Glasses dispensed with NHS lenses—5 million.

10. The number of general medical practitioners, 25,000 at 1 October 1973, has been increasing at the rate of about 1½ per cent a year and the average number of patients on each list has dropped from 2,450 in 1969 to 2,350 in 1973. The number of prescriptions dispensed, corrected for exceptional factors like influenza outbreaks, rises at the rate of about 7 million a year. Dental treatments have been increasing at about 1½ million a year and the upward trend is expected to continue, though at a reduced rate. The number of dentists, 13,000 at 1 October 1973, is increasing at the rate of some 200 a year and this trend is expected to continue as the benefit is obtained of the increased number of places in dental schools.

Personal social services

11. The personal social services capital programme provides primarily for building new, and improving existing, residential accommodation and day facilities for the elderly, the physically or mentally handicapped, the mentally ill and children in care. Because of the economic constraints annual expenditure will be held broadly at the level planned for 1974-75. This should enable some 5,000 residential and 5,000 day places to be provided each year. Within this programme special attention will be given to developing residential provision, including provision of secure accommodation, for children in care and to restoring the rate of development of the programme of provision for the mentally handicapped to the level set out in the White Paper for England and Wales "Better Services for the Mentally Handicapped" (Cmnd 4683) whose principles also apply in Scotland. From 1975-76 local authorities will have greater freedom to decide their own priorities in the light of general guidance from the Secretaries of State on national policy objectives and minimum standards but within the overall constraints on resources imposed by the general economic state of the country.

12. The current expenditure programme provides for the running costs of residential homes and day centres and for field social work and domiciliary support services, including aids and adaptations for the physically handicapped. It also covers probation and after-care in Scotland. In common with other local authority services, the forecast for 1975-76, which reflects the Government's decision to seek considerable restraint in that year, is intended to cover only the increase due to inescapable commitments. The figures for later years provide for very little further growth. Local authorities have been given guidance on the priorities for using the limited resources available.

CHANGES IN EXPENDITURE

13. Immediately following the publication of last year's White Paper, the then Government announced a widespread series of cuts in public

expenditure planned for 1974-75 including the following in the health and personal social services programme:

		£ million
Health:	capital	70.5
	current	34.3
PSS:	capital	19.3
	current	11.2
Central and Miscellaneous:	capital	0.1
	current	2.4
Total		<u>137.8</u>

14. Policy changes made since 1 March 1974, for which additional funds have been provided, include:

1. a. a payment of £5 million in 1974-75 to the Thalidomide Trust to offset the effects of taxation on income from the Trust;
- b. a further payment of £3 million to the Rowntree Memorial Trust to provide help for very severely handicapped children;
2. the decision not to raise dental and optical charges when payments to the practitioners were increased in 1974;
3. the introduction of a new mobility allowance for certain disabled people at a cost of £4 million in 1975-76 rising to £15 million in 1978-79.

15. Other changes consist mainly of revised forecasts of the cost of former local authority health services which were transferred to the NHS on 1 April 1974.

TABLE 2.12

	1969-70	1970-71	1971-72
Pension benefits: national insurance			
Retirement pensions	2,662.0	2,710.0	2,853.0
Invalidity benefit(1)	—	—	127.0
Industrial disablement benefit	99.0	99.0	99.0
Widows' pensions and industrial death benefit etc.	249.0	242.0	261.0
Pension benefits: other			
Old persons' pensions	—	11.0	32.0
War pensions	204.0	195.0	191.0
Attendance allowance and invalid care allowance	—	—	9.0
Non-contributory invalidity pension	—	—	—
Lump-sum payments to pensioners etc.	—	—	—
Supplementary benefit			
Supplementary pensions	368.0	377.0	378.0
Supplementary allowances	399.0	417.0	507.0
Family benefits			
Family allowances	555.0	516.0	480.0
Family income supplement	—	—	5.0
Other non-pension benefits: national insurance			
Sickness and injury benefits and maternity allowance(1)	715.0	656.0	529.0
Unemployment benefit(2)	208.0	228.0	334.0
Widow's allowance, maternity/death grants	88.0	81.0	78.0
Administration and miscellaneous services	208.0	215.0	238.0
Allowance for uprating improvements over average 1974-75 benefit levels			
Total	5,755.0	5,747.0	6,121.0
Changes from Cmnd 5519 revalued(3)			
Allowance for uprating improvements over average 1974-75 benefit levels			
Other policy changes			
Other changes			
Cmnd 5519 revalued(3)			

(1) From September 1971 invalidity benefit replaced sickness benefit for those sick for more than 6 months.

(2) The figures for unemployment benefit in future years are not to be regarded as reflecting a forecast of the levels to which unemployment will be reduced.

(3) After adjustment to take account of the new basis of presentation of the figures (see paragraphs 2-4).

1. The general pattern of expenditure as between the various social security benefits is broadly similar to that in Cmnd 5519. Retirement pensions are the largest single item and account for about half the expenditure. Other contributory benefits account for between a fifth and a quarter, and the balance is made up by the non-contributory benefits (principally supplementary benefit, family allowances, war pensions, attendance allowance and the new non-contributory invalidity pension) and administration and miscellaneous services (which account for approximately 4 per cent of the total).

2. In Cmnd 5519 and previous White Papers benefit expenditure in future years has not reflected changes which may be made later, but which have not yet been announced. It has been based on the latest known rates of benefit at the time the White Paper was published. That approach would not be appropriate now for two reasons. First the Government is now committed to raising the main pension benefits in line with earnings and

SECURITY

£ million at 1974 Survey prices

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
3,087.0	3,245.0	3,591.0	3,665.0	3,721.0	3,762	3,802
256.0	285.0	314.0	319.0	317.0	314	316
101.0	103.0	112.0	113.0	113.0	112	112
272.0	274.0	302.0	301.0	302.0	301	301
35.0	33.0	31.0	26.0	23.0	20	17
195.0	194.0	204.0	195.0	188.0	181	175
30.0	42.0	61.0	63.0	65.0	68	68
—	—	—	37.0	57.0	57	57
102.0	94.0	92.0	—	—	—	—
349.0	319.0	271.0	256.0	257.0	259	260
539.0	483.0	521.0	530.0	513.0	499	494
441.0	406.0	343.0	338.0	333.0	326	320
13.0	14.0	12.0	12.0	11.0	11	11
458.0	438.0	442.0	450.0	451.0	451	465
272.0	205.0	222.0	284.0	280.0	257	238
76.0	171.0	70.0	70.0	70.0	72	72
244.0	254.0	275.0	275.0	274.0	272	272
			500.0	650.0	800	950
6,470.0	6,460.0	6,863.0	7,434.0	7,625.0	7,762	7,930
	—	—	+500.0	+650.0	+800	
	—	+354.0	+264.0	+270.0	+273	
	+32.0	+93.0	+163.0	+149.0	+106	
	6,428.0	6,416.0	6,507.0	6,556.0	6,583	

the main short-term benefits in line with prices. This commitment entails planning for extra expenditure on improving pensions in real terms. Secondly on this occasion an uprating of benefits (including family allowances) has been announced but is not due to take effect until April 1975. Cash figures reflecting these rates of benefit would greatly overstate the level of expenditure compared with the figures at 1974 survey prices which are used elsewhere in the White Paper.

3. In this White Paper the figures for future years are given in terms of the average levels of benefit in force during 1974-75.* That is equivalent to assuming that benefits are uprated just enough to offset the increase in prices on average over each year. This approach makes it possible to show

* In the case of the new disability benefits (see paragraph 10(iv)) this means the average rate of the benefits to which they are aligned.

ESTIMATED AVERAGE NUMBERS RECEIVING THE MAIN BENEFITS AT ANY ONE TIME.

	1969-70	1970-71	1971-72
Retirement pensions	7,110	7,260	7,400
Invalidity benefit (1)	—	—	—
Industrial disablement pensions	205	205	205
Widows' pensions and industrial death benefit	580	575	590
Old persons' pensions	—	115	130
War pensions			
Disablement	400	385	375
Widows and other dependants	145	135	130
Attendance allowance	—	—	85
Non-contributory invalidity pension	—	—	—
Supplementary benefit			
Supplementary pensions	1,880	1,890	1,930
Supplementary allowances	820	860	1,000
Family allowances (2)	6,900	6,950	7,000
Family income supplement	—	—	65
Sickness and injury benefits (1)	1,100	990	940
Maternity allowance	75	80	80
Unemployment benefit	330	370	540

(1) From September 1971 invalidity benefit replaced sickness benefit for those sick for more than 6 months. The 1971-72 figure for sickness and injury benefits reflects the position before the change.

(2) Numbers of qualifying children (i.e. children after the first in the family).

the real improvement between financial years attributable to the new policy of uprating long-term benefits in line with earnings and also avoids the overstatement which would result from using April 1975 benefit rates. The precise cost of the real improvement in individual years will depend on the future movement of earnings and prices which cannot be accurately forecast. However, a single line of round figures is included in Table 2.12 to give a broad indication of what might be needed to cover the real improvements, compared with the 1974-75 level, resulting in 1975-76 and the rest of the Survey period from the upratings in July 1974 and later. The real increase in pensions in July 1974 is partly reflected in the average rate of benefit for 1974-75 and the balance in the separate line for uprating improvements. This line also includes the real improvement which may be expected, compared with 1974-75, from the increase in family allowances in April 1975.

4. For consistency with the above presentation the figures for 1969-70 to 1973-74 have been revalued to 1974 Survey prices instead of being left, as in Cmnd 5519, at outturn prices.

Numbers of beneficiaries

5. The table above shows the estimated average numbers receiving the main benefits, on which the expenditure figures in Table 2.12 are based. The estimated numbers of retirement pensioners reflect the continuing increase in the number of people over pensionable age. It is assumed that the well-established trend towards earlier retirement will continue. The numbers for attendance allowance from 1973-74 onwards have been reduced by comparison with those given in Cmnd 5519 because the numbers qualifying for the lower rate of allowance have turned out to be smaller than expected. The numbers for supplementary pensions take account of an estimated

Thousands

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
7,560	7,750	7,890	8,020	8,120	8,190	8,240
430	440	445	455	450	450	445
200	200	200	200	200	200	200
585	590	590	590	585	585	585
125	115	105	90	80	65	55
360	345	335	320	310	300	290
125	120	115	110	105	100	95
85	125	175	190	190	190	190
—	—	—	220	220	220	220
1,900	1,870	1,790	1,650	1,650	1,650	1,660
1,050	890	920	970	970	950	940
7,000	7,060	7,045	6,940	6,815	6,680	6,545
85	95	75	70	70	70	70
535	545	565	580	580	580	580
75	70	70	70	70	70	75
415	340	340	435	430	390	360

reduction of about 250,000 people who are giving up benefit because they are better off by claiming a rent rebate or allowance or a rate rebate. The reduction in the numbers for family income supplement in 1974-75 is attributable to increases in the earnings of the low-paid. The family allowance increase will reduce the amount of supplement payable to families with two or more children. This factor accounts for a reduction of £1 million in expenditure in 1976-77 and later years.

6. Even though there was no influenza epidemic in the past year, claim rates for both sickness benefit and invalidity benefit have followed the upward trend which had begun to show itself at the time of Cmnd 5519. This increase may prove to be temporary but, in estimating future numbers for both benefits, claim rates have been assumed which allow for the continuation of the trend up to the level of the peak rates recorded in 1969-70. As noted in Cmnd 5519, this increase is to some extent offset by the forecast changes in the composition of the insured population.

7. It will be noted that the estimated numbers for invalidity benefit are higher than those given in Cmnd 5519 and those for sickness benefit are correspondingly lower. This adjustment reflects the fuller statistics which have become available since Cmnd 5519 about the division of sickness experience between long-term and short-term.

CHANGES IN EXPENDITURE

Increases and improvements

8. One of the first decisions of the new Government in March was to bring the 1974 general uprating of benefits forward from the autumn to July. The standard single rate of retirement pension was increased from

£7.75 to £10 and the standard single rate of unemployment and sickness benefit from £7.35 to £8.60. Corresponding improvements were made in related benefits. The increase in the pension represented a real improvement of about 13½ per cent over the rate established in October 1973. Benefits are to be increased again in April 1975, to £11.60 for the retirement pension and £9.80 for unemployment and sickness benefit. There will be another uprating in December 1975. It is the Government's intention to return to an annual cycle of upratings thereafter as inflation is brought under control.

9. Family allowances are to be increased in April 1975, the first increase in this benefit since 1968. The rates of allowance, at present 90p for the second child in the family and £1 for the third and each subsequent child, will go up by 60p and 50p respectively to provide a uniform rate of £1.50, with consequential adjustment to the amounts of national insurance dependency benefit and supplementary benefit for children. The figures in Table 2.12 and elsewhere in this White Paper do not allow for the cost of a child benefit scheme for all children, including the first in each family, to which the Government is committed, but the timing and other provisions of which have not yet been announced. Additional expenditure on this scheme would be a charge on the contingency reserve.

10. There have been a number of other changes since Cmnd 5519.

i. The qualifying income levels for family income supplement and the maximum amounts of benefit were increased in July 1974. This change would have increased expenditure if rising earnings had not reduced the numbers claiming.

ii. Special lump-sum payments of £10 were made in November 1974 to retirement pensioners and others over minimum pension age with comparable benefits and also to those under pension age receiving widow's benefit, attendance allowance, invalidity benefit or unemployability supplement or allowance. This adds £92 million to expenditure in 1974-75.

iii. The amounts of income and capital disregarded for the purpose of assessing title to supplementary benefit are to be increased. This adds £13 million to expenditure in a full year.

iv. Two new benefits are being introduced: a non-contributory invalidity pension for chronically sick people unable to work who do not qualify for the contributory invalidity pension; and an invalid care allowance for those (other than married women living with or maintained by their husbands) who are prevented from working by the need to look after a disabled person who qualifies for attendance allowance. The gross costs at 1974 Survey prices are estimated to be about £57 million a year for non-contributory invalidity pension and about £5 million a year for invalid care allowance. There will be offsetting reductions of about £53 million—a reduction of about £2 million in expenditure from the funds of hospital authorities and the rest a reduction in expenditure on supplementary benefit. All these figures are approximate since the numbers of those who will qualify are necessarily somewhat speculative at this stage. It is hoped to start payment of non-contributory invalidity pension in August 1975 and of invalid care allowance in

the autumn of 1976. Non-contributory invalidity pension will not be available at the outset to married women dependent on their husbands but will be extended to them after the other improvements are under way. The cost of this extension will be a charge on the contingency reserve.

11. *Better Pensions* (Cmnd 5713), published in September 1974, set out the Government's proposals for a new pension scheme whereby the retirement pension and other long-term benefits would become fully earnings-related. The Government intends to introduce a Bill early in 1975 to give effect to these proposals, with the aim that the new scheme should start not later than April 1978. On this basis extra expenditure of £28 million in 1978-79 is included in Table 2.12, attributed to the appropriate benefits.

Other changes

12. The other changes in comparison with Cmnd 5519 derive from changed assumptions about the numbers of beneficiaries in the light of the latest information.

TABLE 2.13

	1969-70	1970-71	1971-72
Parliament and Privy Council			
Functioning of Parliament and the Privy Council	9.7	10.1	11.2
Parliamentary election expenses	0.2	4.0	0.3
Economic and financial administration			
Tax and rate collection	246.9	260.3	273.4
Other financial administration	79.9	53.8	63.5
Post-war credits	27.0	19.6	23.0
Central management of the Civil Service	8.6	11.6	11.1
Records, registrations and surveys	22.2	20.3	28.0
Broadcasting (capital expenditure)	19.4	16.7	19.1
Other services	20.1	27.5	24.0
VAT paid by local authorities	1.0	0.9	0.9
Total	435.0	424.8	454.5
Changes from Cmnd 5519 revalued			
Policy changes			
Other changes			
Cmnd 5519 revalued			

Tax and rate collection

1. Over half of the total is for the Revenue Departments with smaller sums for the Department of the Environment, the Department of Health and Social Security, the Property Services Agency and local authorities. Improvement in the control and administration of VAT requires the build up of extra staff. Increases are needed in Inland Revenue staff for changes in policy relating to income tax; in later years the estimates include increases for the earnings related national insurance scheme.

Other financial administration

2. The net costs of the Department for National Savings fell from about £28 million in 1975-76 to about £20 million in 1978-79, reflecting the withdrawal of the National Savings Stamp by 1976-77. Also included are the Treasury, the Royal Mint, and certain costs incurred by the Bank of England including the note issue, the management of the national debt and the Bank of England's capital expenditure.

Records, registrations and surveys

3. This includes expenditure by several Government Departments (the Office of Population Censuses and Surveys, the General Register Office (Scotland), Land Registry, Ordnance Survey, and other minor Departments) and some local authority expenditure. Provision is made under the Office of Population Censuses and Surveys for social surveys carried out as an allied service for Government Departments. Provision is included under the Office of Population Censuses and Surveys and the General Register Office (Scotland) for a 100 per cent census of population in 1976 at an estimated cost of £21 million.

SERVICES

£ million at 1974 Survey prices

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
13.7	14.0	12.6	12.0	11.4	11	11
0.1	5.3	6.9	0.7	0.6	—	—
297.8	287.2	305.5	314.9	315.8	314	312
63.2	71.4	77.2	75.6	72.0	68	69
157.9	15.5	2.0	—	—	—	—
11.8	12.7	12.5	12.9	12.8	13	13
17.2	22.1	30.1	30.4	40.1	27	25
19.9	22.0	16.5	18.9	17.5	21	24
20.3	23.2	39.3	36.9	36.1	36	36
0.9	0.9	0.9	0.8	0.8	1	1
602.8	474.3	503.5	503.1	507.1	491	491
	—	-7.4	+3.8	+11.8	-5	
	+8.8	+52.8	+27.8	+41.6	+38	
	465.5	458.1	471.5	453.7	458	

Broadcasting (capital expenditure)

4. Expenditure covers the capital requirements of the British Broadcasting Corporation (BBC) Home Services and the Independent Broadcasting Authority (IBA). These bodies are co-ordinating separately financed programmes for the construction of 625-line UHF (Ultra-High Frequency) stations to transmit all BBC and IBA television services, ultimately replacing VHF (Very-High Frequency) stations which do not transmit colour or BBC2 programmes. The aim is to increase the present coverage of about 94 per cent attained by the UHF stations to about 98 per cent by the end of 1979. The BBC's expenditure (capital and current) is financed by Government grant which at present consists of the whole of the net licence revenue. The IBA provides transmitters to broadcast the programmes of independent television and independent local radio companies and is financed by the rentals charged to the companies. The Independent Broadcasting Authority Act 1973 also provides for the IBA to draw up to £2 million on loan for financing the independent local radio services.

Other services

5. The largest single item in this programme is the capital investment programme of Cable and Wireless Limited amounting to £100 million for the five years to 1978-79, most of which is abroad. The company, whose shares are wholly owned by the Government, is run as a commercial enterprise and its investment is financed from profits and borrowing other than from the Government. Its principal activity is the provision of international communications and internal telephone systems in a number of countries, and it is an important link in the Commonwealth telecommunications network.

CHANGES IN EXPENDITURE

6. On broadcasting, although cuts have been made since Cmnd 5519 as part of general restrictions on public expenditure, the planned UHF transmitter construction programme will be continued at the level envisaged in last year's White Paper. Additional provision will be required for a fourth channel in Wales recommended in the report of the Committee on Broadcasting Coverage (Cmnd 5774) and accepted in principle by the Government.

	1977-78	1978-79	1979-80	1980-81	1981-82	1982-83
Capital expenditure	21.5	21.4	21.4	21.4	20.2	20.2
Operating expenditure	6.0	6.0	6.0	6.0	6.0	6.0
Total	27.5	27.4	27.4	27.4	26.2	26.2
Change on 1977-78		-0.1	-0.1	-0.1	-1.0	-1.0
Change on 1978-79			-0.1	-0.1	-1.0	-1.0
Change on 1979-80				-0.1	-1.0	-1.0
Change on 1980-81					-1.0	-1.0
Change on 1981-82						-1.0
Change on 1982-83						

Broadcasting (capital expenditure)

4. Expenditure covers the capital requirements of the British Broadcasting Corporation (BBC), Home Service and the Independent Broadcasting Authority (IBA). These bodies are co-ordinating separately financed programmes for the construction of 625-line UHF (Ultra-High Frequency) stations to transmit all BBC and IBA television services, ultimately replacing VHF (Very-High Frequency) stations which do not transmit colour or BBC programmes. The aim is to increase the present coverage of about 94 per cent attained by the UHF stations to about 98 per cent by the end of 1979. The BBC's expenditure (capital and current) is financed by Government grant which at present consists of the whole of the net licence revenue. The IBA provides transmitters to broadcast the programmes of independent television and independent local radio companies and is financed by the rentals charged to the companies. The Independent Broadcasting Authority Act 1973 also provides for the IBA to draw up to £2 million on loan for financing the independent local radio services.

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TABLE 2.14 (continued)

1971-72	1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
30.6	44.0	24.7	...	...	...	...	...
49.2	31.9	39.8	...	...	...	...	...
41.1	39.3	39.4	...	...	...	...	...
13.2	28.8	21.1	...	...	...	...	...
164.7	124.0	124.8	...	...	...	...	...
31.8	47.2	42.2	...	...	...	...	...
18.4	12.6	11.3	...	...	...	...	...
13.8	13.4	10.6	...	...	...	...	...
122.2	118.6	113.2	...	...	...	...	...
77.6	31.4	28.9	...	...	...	...	...
8.8	7.1	6.9	...	...	...	...	...
469.0	422.3	418.2	...	...	...	...	...
Changes from Cmd 2219 revised							
Policy changes							
Other changes							
Cmd 2219 revised							

Office and general accommodation services

The programme consists mainly of expenditure on offices for the Home Civil Service, though it also includes for example some expenditure for furnishing and running costs on specialised accommodation like research establishments. The expenditure on offices is mainly determined by the area of office space which has to be provided to meet the needs of the services concerned. The amount of office space is determined by the number of Civil Servants, both the cost of providing new Crown-owned office buildings and other items, including the cost of taking occupation of newly leased premises and the cost of work to prevent deterioration of the existing estate or to improve substandard working conditions. Roughly half of the total is expected to relate to building and furnishing new Crown-owned offices. The interest in the area of Crown-owned office space is major factor mainly to schemes already in progress since expenditure on major building projects is spread over a period of several years before occupation.

3. The total area of office space has increased since 1969 and is currently planned to increase up to 1978 as follows:

Year	Total	Leased	Crown-owned
1969
1970
1971
1972
1973
1974
1975
1976
1977
1978

Figures show the area at December each; those for 1974 and later years are estimates.

TABLE 2.14

	1969-70	1970-71	1971-72
Office and general accommodation services			
Capital expenditure	24.7	44.0	50.6
Rent	39.6	41.9	49.2
Maintenance and other running costs	39.4	39.3	41.1
Departmental administration	21.1	28.8	23.2
Total	124.8	154.0	164.1
Stationery and printing (home)	42.5	47.2	51.8
Computers and telecommunications	11.3	15.6	18.4
Home publicity	10.6	13.4	13.8
Civil superannuation	113.2	118.6	125.5
Rates on Government property	68.9	71.4	77.6
Other common services	6.9	7.1	8.8
Total	378.2	427.3	460.0
Changes from Cmnd 5519 revalued			
Policy changes			
Other changes			
Cmnd 5519 revalued			

Office and general accommodation services

1. This programme consists mainly of expenditure on offices for the Home Civil Service, though it also includes for example some expenditure for furnishing and running costs on specialised accommodation like research establishments. The expenditure on offices is mainly determined by the area of office space which has to be provided to meet the needs of the services concerned.

2. Capital expenditure covers both the cost of providing new Crown-owned office building and other items, including the cost of taking occupation of newly leased premises and the cost of work to prevent deterioration of the existing estate or to improve sub-standard working conditions. Roughly half of the total is expected to relate to building and furnishing new Crown-owned offices. The increase in the area of Crown-owned offices up to 1978 relates mainly to schemes already in progress, since expenditure on major building projects is spread over a period of several years before occupation.

3. The total area of office space has increased since 1969 and is currently planned to increase up to 1978 as follows:

Millions of square feet

	Crown-owned		Leased		Total
	London	Elsewhere	London	Elsewhere	
1969	6.3	15.3	13.1	14.2	49.0
1970	6.4	15.1	13.8	15.0	50.3
1971	6.6	15.5	13.7	16.4	52.1
1972	6.7	15.8	13.9	17.8	54.2
1973	6.7	16.3	14.2	18.5	55.7
1974	6.7	16.4	14.4	19.5	57.0
1975	6.7	16.7	14.8	21.3	59.5
1976	6.7	17.3	14.5	22.1	60.6
1977	6.8	18.0	14.2	22.3	61.3
1978	6.8	18.5	13.8	22.5	61.6

Figures show the areas at December each year; those for 1974 and later years are estimates.

SERVICES

£ million at 1974 Survey prices

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
43.4	43.6	46.8	68.7	63.1	73	79
53.4	56.0	58.7	67.2	68.6	69	69
35.5	45.1	39.9	44.9	45.1	45	46
27.1	21.3	16.3	17.9	18.0	19	19
159.4	166.0	161.7	198.7	194.8	206	213
50.3	52.5	50.9	54.5	55.2	60	63
26.2	21.5	21.7	29.0	28.7	31	32
13.9	18.0	14.9	14.4	14.0	14	14
133.6	129.7	148.7	183.0	169.0	187	206
83.1	82.8	87.3	89.0	91.2	94	97
8.0	8.9	8.5	9.9	10.2	11	11
474.5	479.4	493.7	578.5	563.1	603	636
	—	—30.5	+5.0	—	—	—
	-27.0	-12.4	-13.9	-36.9	-33	-33
	506.4	536.6	587.4	600.0	636	636

4. The expected need for extra space in the period to 1978 cannot be met entirely from the planned building programme and the amount of leased space, which already accounts for nearly three-fifths of the total, is forecast to increase in this period, and this is reflected in the forecast increase in expenditure on rents. The forecasts of rent show only the cost of hiring additional space at current market levels with no increase in the cost of the existing estate. In money terms, the rent bill will rise more than shown, irrespective of any increases in current market levels, because some of the leases in the existing estate will be subject to rent reviews, renewals or replacement before 1979. Because of the difference between the average rent level of the existing estate and the level of current rents for new hirings taken in 1974-75 and later years the percentage increase in the rent bill forecast for these years is greater than the forecast increase in the area leased; the rent bill for 1974-75 however is lower than originally expected as a result of delays in obtaining accommodation.

Stationery and printing (home)

5. HMSO is the central source of supply for government departments for their printing, stationery and office machinery: it also supplies some other public sector bodies on repayment. HMSO is also responsible for the printing, and in most instances, the publication, distribution, and sale of government publications on which the annual turnover is approximately £8.0 million.

Computers and telecommunications

6. The role of the Central Computer Agency (CCA) is to promote the use of computers in Government in order to improve administrative efficiency and to widen policy choices. It advises departments on their automatic data processing projects and provides them with purchasing and other executive services. It is also responsible for policy on and financial

control of telecommunications used in Government for civil administrative purposes. The programme covers expenditure on the acquisition of administrative computers, the hire of computer time from commercial bureaux and the maintenance of equipment together with expenditure on CCA staff and on development studies. Expenditure on equipment for scientific and operational computer systems is provided on other programmes, notably the Defence programme.

Home publicity

7. This covers expenditure on publicity campaigns which are carried out by the Central Office of Information and Scottish Office for other Government Departments and includes the related printing costs on Her Majesty's Stationery Office Vote. Publicity is directed principally at audiences in the United Kingdom through the media of press and television advertising, films, exhibitions and publications in support of departmental policies. The sums will provide for Government publicity to assist recruitment (mainly to the Armed Forces), and to inform the public, for example about road safety or available social or other benefits.

Civil superannuation

8. The present forecasts which are higher than in Cmnd 5519, take account of experience with the working of the civil service pension scheme introduced in 1972.

Other common services

9. This programme covers the cost of legal services, the Government Actuary, Civil Service Catering Services and Transport Services.

CHANGES IN EXPENDITURE

10. The main changes since Cmnd 5519 are due to the reductions in public spending in 1974-75 announced by the then Chancellor of the Exchequer on 17 December 1973, and similar reductions for the years 1975-76 to 1978-79 made subsequently. Most of the reductions have fallen on the capital programme, since existing commitments make it difficult to achieve savings on rents or maintenance. This has led to consequential reductions in Departmental Administration forecasts due to reductions in the amount of design work to be done in the period.

11. The policy changes include the cuts on 1974-75 expenditure, an allowance for the consequences of the Government's new dispersal programme and an extra £5 million of capital expenditure in 1975-76 as part of the measures announced by the Chancellor of the Exchequer on 11 September 1974 to assist the construction industry. The allowance for dispersal includes a start on construction work in 1975-76 and on leasing premises in dispersal locations; there will be a reduction in London rents as staff are moved to these locations and allowing for this, the extra cost of dispersal within the period covered by the forecasts is initially estimated at £16.5 million. The extra £5 million to assist the construction industry will be spent on improving sub-standard offices.

12. The other changes in 1974-75 are due to expenditure on rents being substantially less than forecast (mainly because of delays in obtaining

accommodation) and to shortfalls on other items including furniture (caused by supply problems) and fuel (due to economies). In later years the other changes are mainly due to reductions in the levels of expenditure following the cuts applied to 1974-75.

1973-74		1974-75		1975-76		1976-77		1977-78	
A. Expenditure by Northern Ireland Departments									
1	2	3	4	5	6	7	8	9	10
VAI paid by local authorities	12.19	12.19	12.19	12.19	12.19	12.19	12.19	12.19	12.19
Common services	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25	5.25
Other public services	4.81	4.81	4.81	4.81	4.81	4.81	4.81	4.81	4.81
Social security	6.17	6.17	6.17	6.17	6.17	6.17	6.17	6.17	6.17
Health and personal social services	3.17	3.17	3.17	3.17	3.17	3.17	3.17	3.17	3.17
Education and libraries, science and arts	4.95	4.95	4.95	4.95	4.95	4.95	4.95	4.95	4.95
Law, order and protective services	2.21	2.21	2.21	2.21	2.21	2.21	2.21	2.21	2.21
Other environmental services	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02	1.02
Housing	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15	4.15
Transport	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11	8.11
Roads	1.73	1.73	1.73	1.73	1.73	1.73	1.73	1.73	1.73
Roads and transport	9.84	9.84	9.84	9.84	9.84	9.84	9.84	9.84	9.84
Fuel - oil	7.15	7.15	7.15	7.15	7.15	7.15	7.15	7.15	7.15
Law, industry and employment	1.23	1.23	1.23	1.23	1.23	1.23	1.23	1.23	1.23
Agriculture, fisheries and forestry	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13	0.13
Total	65.10	65.10	65.10	65.10	65.10	65.10	65.10	65.10	65.10
B. Expenditure by United Kingdom Departments									
1	2	3	4	5	6	7	8	9	10
Common services	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0
Other public services	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1	7.1
Law, order and protective services	2.01	2.01	2.01	2.01	2.01	2.01	2.01	2.01	2.01
Agriculture, fisheries and forestry	1.83	1.83	1.83	1.83	1.83	1.83	1.83	1.83	1.83
Total	14.85	14.85	14.85	14.85	14.85	14.85	14.85	14.85	14.85
C. Changes from Crib 219 revised									
1	2	3	4	5	6	7	8	9	10
Other changes	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25	1.25
Policy changes	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0	5.0
Total	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25	6.25

The division of Table 2.15 into parts A and B reflects the division of responsibility for Northern Ireland expenditure between Northern Ireland Departments and United Kingdom Departments following the transfer of services provided for in the Northern Ireland Constitution Act 1972. This took effect on 1 January 1974. The same division of responsibility continues under the interim constitutional arrangements introduced by the Northern Ireland Act 1974 but the Secretary of State for Northern Ireland is directly responsible to Parliament at present for the expenditure of the Northern Ireland Departments as well as for that of the Northern Ireland Office. Table 2.16 in earlier White Paper Table 2.3 covered expenditure on expenditure in Northern Ireland borne by the United Kingdom Ministry of Agriculture, Fisheries and Food. These payments are now included in part B of Table 2.16 so that parts A and B together represent almost identical extent of public expenditure relating specifically to Northern Ireland. The cost of food subsidies and price guarantees for milk and wool for the United Kingdom as a whole remains in Table 2.3, and Northern Ireland's share of this in 1974-75 is roughly estimated at £25 million. Expenditure by the Intervention Board for Agricultural Products on market regulation operations to implement the Common Agricultural Policy in the United Kingdom

TABLE 2.15

	1969-70	1970-71	1971-72
A. Expenditure by Northern Ireland Departments			
Agriculture, fisheries and forestry	13.5	14.9	15.8
Trade, industry and employment	83.2	89.4	86.4
Fuel	20.5	22.9	23.9
Roads and transport			
Roads	33.6	29.7	27.9
Transport	3.9	4.0	6.7
Housing	44.9	55.0	53.4
Other environmental services	25.7	28.9	31.3
Law, order and protective services	21.0	26.0	33.9
Education and libraries, science and arts	96.5	99.1	106.4
Health and personal social services	81.7	86.6	90.9
Social security	145.7	147.3	158.8
Other public services	9.5	10.4	12.5
Common services	4.7	4.9	5.5
VAT paid by local authorities... ..	1.9	1.9	2.0
Total	586.3	621.0	655.4
B. Expenditure by United Kingdom Departments			
Agriculture, fisheries and forestry	36.6	42.3	42.9
Law, order and protective services	—	—	—
Other public services	—	—	—
Common services	—	—	—
Total	36.6	42.3	42.9
Total	622.9	663.3	698.3
Changes from Cmnd 5519 revalued			
Policy changes			
Other changes			
Cmnd 5519 revalued			

1. The division of Table 2.15 into parts A and B reflects the division of responsibility for Northern Ireland expenditure between Northern Ireland Departments and United Kingdom Departments following the transfer of services provided for in the Northern Ireland Constitution Act 1973. This took effect on 1 January 1974. The same division of responsibility continues under the interim constitutional arrangements introduced by the Northern Ireland Act 1974 but the Secretary of State for Northern Ireland is directly responsible to Parliament at present for the expenditure of the Northern Ireland Departments as well as for that of the Northern Ireland Office.

2. In earlier White Papers Table 2.3 covered agricultural support payments in Northern Ireland borne by the United Kingdom Ministry of Agriculture, Fisheries and Food. These payments are now included in Part B of Table 2.15, so that Parts A and B together represent almost the full extent of public expenditure relating specifically to Northern Ireland. The cost of food subsidies and price guarantees for milk and wool for the United Kingdom as a whole remains in Table 2.3, and Northern Ireland's share of this in 1974-75 is roughly estimated at £25 million. Expenditure by the Intervention Board for Agricultural Produce on market regulation operations to implement the Common Agricultural Policy in the United Kingdom

IRELAND

£ million at 1974 Survey prices

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
16.5	17.5	19.0	18.3	18.0	18	19
93.2	102.7	155.7	153.1	122.1	126	127
31.2	33.9	42.3	53.7	51.4	38	26
28.1	32.9	37.1	39.7	48.1	55	55
12.5	9.6	11.8	9.3	9.7	8	7
45.4	61.4	69.2	78.7	84.7	91	96
37.2	36.5	47.1	47.7	47.7	48	48
70.2	59.3	2.7	3.0	2.6	3	3
124.6	126.4	135.8	148.5	151.0	158	159
99.7	104.7	116.3	120.3	124.2	129	133
166.0	178.6	209.1	228.3	227.7	232	239
16.1	16.9	18.4	13.4	13.8	14	14
5.3	8.5	6.9	9.5	11.3	13	15
2.2	2.1	1.9	2.0	2.0	2	2
748.2	791.0	873.3	925.5	914.3	935	943
34.7	33.9	38.1	30.1	24.9	25	23
—	19.4	105.3	84.2	77.2	73	64
0.8	1.7	1.8	1.7	1.8	2	2
—	0.4	1.0	0.9	0.9	1	1
35.5	55.4	146.2	116.9	104.8	101	90
783.7	846.4	1,019.5	1,042.4	1,019.1	1,036	1,033
	+0.3	+66.3	+85.7	+49.4	+40	
	-61.5	+30.6	+34.2	+41.1	+46	
	907.6	922.6	922.5	928.6	950	

as a whole is also in Table 2.3. The extra costs attributable to the Army's task in Northern Ireland are included within the figures in Table 2.1 and are likely to be of the order of £33 million in 1974-75. Tables 2.1 and 2.2 cover defence costs generally and overseas services and relate of course to the UK as a whole.

CHANGES IN EXPENDITURE

3. The outturn in 1973-74 is lower than the forecast in Cmnd 5519 revalued by some £61 million. The largest single shortfall is in the Trade, industry and employment programme. This reflects the influence exerted by the disturbances in Northern Ireland and by the generally lower up-take of industrial investment aid in the UK as a whole. The effect of the same factors together with the reorganisation of local government services may be seen in some smaller shortfalls in new building and other programmes.

4. The following tables show the planning assumptions for the public sector of housing, and for the creation of jobs and the extent to which achievement in 1973-74 has fallen short for the reasons indicated above.

PUBLIC SECTOR HOUSING

Number of Houses to be completed

	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
Cmnd 5519	7,500	8,000	9,100	9,400	10,000	—
This White Paper	6,000	8,000	9,100	9,400	10,000	10,500

JOB CREATION

Number of jobs to be created

1. Industrial Development (Industries Development Acts)						
Cmnd 5519	8,000	8,000	8,000	8,000	8,000	—
This White Paper	6,000	8,000	8,000	8,000	8,000	8,000
2. Urban and Rural Improvements Grants, Local Enterprise Development and "Enterprise Ulster".						
This White Paper	6,664	6,200	6,200	6,200	6,200	5,400

5. The new forecasts for most programmes take some account of the effects of continued disturbances in 1974-75 and allow thereafter for some hoped-for amelioration. Where necessary the forecasts have been recalculated on a basis now considered to be more realistic than the basis used for Cmnd 5519. These recalculations follow a review of the services taken over by the Northern Ireland Departments from the local authorities, and of the services taken over by the Northern Ireland Office. Further measures in the field of social and economic planning have been under examination, but their financial implications have still to be assessed and are not reflected in the figures in Table 2.15.

6. The policy additions to the forecasts for 1974-75 onwards result in large measure from the application to Northern Ireland of policy changes as agreed for the rest of the United Kingdom, for example additional support to agriculture, changes in social security benefits and the continuance and doubling of the Regional Employment Premium.

7. The Secretary of State announced in September the expansion of the Royal Ulster Constabulary and The Royal Ulster Constabulary Reserve. The Secretary of State has also announced the decision to construct a new permanent prison; most of the expenditure on this will fall in the years 1976-77 to 1979-80. A new temporary prison to provide immediate relief has also been approved.

8. The estimating changes in 1974-75 include provision under the Law, order and protective services programme to cover the necessary immediate rebuilding and repairs which have had to be undertaken at the Maze and Magilligan prisons following the riots and destruction there last October. They also include under the same programme a very large increase in the amount of money now expected to be paid out to the public in the period as a whole in respect of compensation for criminal damage and injury. For the period 1974-75 to 1977-78 the total provision for such compensation has been increased from £37 million to £122 million, following a reassessment of the incidence of damage in the past and the present level of settlements. The present estimates assume that the volume of claims will diminish gradually from now onwards and that they will be settled more rapidly than was possible in the past.

9. Estimating additions have been made to take account also of increased police overtime and of a near doubling in the number of prison staff.

16. CONTINGENCY RESERVE AND SHORTFALL

TABLE 2.16

£ million in demand terms at 1974 Survey prices

	1974-75	1975-76	1976-77	1977-78	1978-79
Contingency reserve	—	300	400	550	750
General deduction for shortfall ...	-300	-250	-250	-250	-250

Contingency reserve

1. The summary tables of total public expenditure (Tables 3.1 and 3.2) include a contingency reserve. This is intended to cover a number of different types of expenditure.

2. First, not all the new policies announced by the Government have been developed to the point where cost estimates for each financial year can be determined with sufficient precision to include them in expenditure programmes. Second, the reserve is meant to cover the cost of expenditure which may need to be undertaken in pursuance of existing policies but which cannot yet be foreseen with any precision; and the net cost of any modifications in such policies which the Government may find it necessary to introduce during the period. Third, it allows for the possibility that the Government will have to respond to some unpredictable events, such as natural disasters in the U.K., which may arise during the period.

3. The policies which are already known to involve a potential call on the contingency reserve include a number of proposals which mainly involve the purchase of existing assets and therefore do not place a large direct demand on current output of resources. Examples are the community ownership of development land, participation in private industry through the National Enterprise Board and the public ownership of certain industries. Other new proposals, however, such as those for selective assistance to industry and other industrial support, including the activities of the Scottish and Welsh Development Agencies, could involve a substantial resource cost. The improvements in family support envisaged in the child benefit scheme also represent a future charge on the contingency reserve, the amount and timing of which cannot yet be accurately forecast.

4. There is therefore, an unusually large difference, potentially, between the demand content of some of the likely developments of policy in the next few years and their cost in money. Previous White Papers have given figures for the contingency reserve without distinguishing between demand on resources and cost in money. In this White Paper the figures for the contingency reserve express demand on resources. This implies that corresponding figures for the contingency reserve which expressed cost in money would be higher to an extent that cannot be measured at this stage except to say that the lower the demand content the greater the difference.

5. Setting the contingency reserve in demand terms does not mean, however, that large additional expenditures can necessarily be accommodated in a particular year, simply because they have a low direct demand content. The indirect effects arising from the financing of such expenditure

will also need to be carefully considered. The rate at which the new policies such as those mentioned above can be developed, and their phasing in relation to each other, must pay full regard not only to their direct demand on resources, but also to their implications for the money supply, interest rates, and general financial conditions in the economy.

General deduction for shortfall

6. The tables also include a general deduction for shortfall, not allocated to particular programmes. This deduction is also expressed in demand terms.

7. However carefully estimates and plans are made, it is often impossible to guarantee that expenditure will follow them precisely. The incidence of the individual excesses and shortfalls has varied from year to year, but experience has generally been that in total the under-spending outweighs the over-spending. One of the reasons for this is the unpredictable delay which can occur in some major capital projects. For this reason a specific shortfall deduction is also included within the nationalised industries' capital expenditure programme. The general deduction for shortfall is intended to cover the net under-spending which occurs over the programmes as a whole, but which it is not possible to allocate in advance to any individual programme.

8. The rate of growth of public expenditure in demand terms, given in paragraph 58 of Part 1, takes account both of the contingency reserve and of the deduction for shortfall.

SPECIAL ANALYSIS OF EXPENDITURE IN SCOTLAND

TABLE 2.17

	1969-70	1970-71	1971-72
Agriculture, fisheries and forestry*	82	83	90
Trade, industry and employment	5	5	13
Nationalised industries' capital expenditure	107	123	118
Roads and transport	103	114	119
Housing	414	401	353
Other environmental services	155	158	166
Law, order and protective services	69	72	78
Education and libraries, science and arts	360	370	381
Health and personal social services	338	353	372
Other public services	12	12	16
Total	1,645	1,691	1,706

Changes from Cmnd 5519 revalued

Policy changes ...
Other changes ...
Cmnd 5519 revalued ...

* Forestry Commission expenditure is not included.

1. Table 2.17 summarises expenditure in Scotland by central Government, local authorities and public corporations on services within the Secretary of State's field of responsibility. These figures are contained within the total shown in Tables 2.3 to 2.11 and 2.13. The objectives and main determinants of the expenditure are explained in the commentaries on those tables. The figures are at 1974 Survey prices, and do not include provision for the relative price effect.

2. Between 1974-75 and 1978-79 expenditure within the Secretary of State's field is expected to increase by an average of 2.5 per cent a year. In part, this rate of growth reflects the priority given to expenditure related to North Sea oil.

3. The changes in the Scottish figures as compared with Cmnd 5519 reflect a number of estimating changes. In the Trade, industry and employment programme, increased provision is made for compensation for price restraint. In the case of Nationalised industries' capital expenditure, reductions in later years, due to a rephasing of expenditure to 1974-75, are offset by increased costs. Increases in the Roads and transport programme result from the inclusion in the table of expenditure by the Greater Glasgow Passenger Transport Executive in support of British Rail; this replaces expenditure attributed in previous White Papers to the Department of the Environment. The table also includes for the first time the cost of revenue support by local authorities for their own transport undertakings. In the Housing programme, the main increase is for the effect of higher interest rates on Government subsidies and local authority rate contributions to housing accounts.

4. The policy changes include reductions in capital programmes and current expenditure for 1974-75 announced by the former administration on 17 December 1973; the effects of Government decisions on priorities; and

WITHIN THE SECRETARY OF STATE'S RESPONSIBILITY

£ million at 1974 Survey prices

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
76	70	88	82	80	81	80
11	22	12	8	8	8	8
120	97	124	120	114	111	127
114	122	129	143	154	166	171
339	382	402	438	464	464	464
170	168	173	179	181	185	188
84	88	91	94	96	97	99
416	430	428	449	459	457	454
398	413	425	444	452	465	479
13	14	15	15	18	16	16
1,741	1,806	1,887	1,972	2,026	2,050	2,086
	—	-49	+86	+73	+67	
	-125	+34	-65	-34	-50	
	1,931	1,902	1,951	1,987	2,033	

the short term additions announced by the Chancellor of the Exchequer on 11 September 1974 to assist the construction industry. In addition, the Agriculture, fisheries and forestry programme takes account of variations in subsidies while the Housing programme reflects increased provision for public sector housing improvements and the cost of the standstill in public sector rents.

5. Table 2.18 gives forecasts of all current and capital expenditure of Scottish local authorities, including expenditure within the fields of responsibility of departments other than the Scottish Office. The figures of local authorities' current expenditure in both Tables 2.17 and 2.18 for 1975-76 are consistent with the figures for individual services which the Secretary of State has accepted for that year's rate support grant. About half the capital spending in the Secretary of State's field of responsibility is carried out by local authorities. Local authority expenditure is expected to grow between 1974-75 and 1978-79 by an average of 2.1 per cent a year, made up of an average increase of 3.1 per cent on current account, and an average increase of 0.6 per cent on capital account.

LOCAL AUTHORITY EXPENDITURE

TABLE 2.18

	1969-70	1970-71	1971-72
CURRENT EXPENDITURE			
Trade, industry and employment	2	2	2
Roads and transport	34	36	43
Housing	61	56	49
Other environmental services	60	61	66
Law, order and protective services	52	54	56
Education and libraries, science and arts	242	250	263
Health and personal social services	30	31	38
Other public services	6	7	8
Total current expenditure	487	497	525
CAPITAL EXPENDITURE			
Agriculture, fisheries and forestry	1	—	1
Trade, industry and employment	—	—	—
Roads and transport	35	44	48
Housing	246	231	203
Other environmental services	84	87	88
Law, order and protective services	5	6	7
Education and libraries, science and arts	69	68	62
Health and personal social services	4	4	4
Total capital expenditure	444	440	413
Total public expenditure	931	937	938

IN SCOTLAND: 1969-70 to 1978-79

£ million at 1974 Survey prices

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
2	2	2	2	2	2	2
43	45	46	54	57	61	65
36	52	48	62	62	64	64
67	69	74	75	80	82	85
58	61	63	65	66	67	67
281	297	314	319	326	329	333
43	49	56	61	62	64	65
8	8	8	9	9	9	10
538	583	611	647(1)	664	678	691
—	—	1	1	1	1	1
—	—	—	1	1	1	2
44	53	47	59	66	70	70
198	213	219	216	219	204	197
88	85	81	87	86	89	90
10	9	8	9	9	9	9
79	75	55	67	67	58	51
6	9	6	7	8	8	8
425	444	417	447	457	440	428
963	1,027	1,028	1,094	1,121	1,118	1,119

(1) This is consistent with the level of reckonable expenditure accepted in the 1975-76 rate support grant settlement for Scotland (£736 million at November 1973 prices). Reckonable expenditure includes loan charges and capital expenditure met from revenue; it excludes rate fund contributions to housing revenue accounts.

SPECIAL ANALYSIS OF EXPENDITURE IN WALES

TABLE 2.19

	1696-70	1970-71	1971-72
Trade, industry and employment	—	—	1
Roads and transport	51	58	70
Housing	76	78	85
Other environmental services	63	69	74
Education and libraries, science and arts	119	124	139
Health and personal social services	164	173	175
Other public services	2	2	2
Total	475	504	546
Changes from Cmnd 5519 revalued			
Policy changes			
Other changes			
Cmnd 5519 revalued			

1. Table 2.19 summarises expenditure by central government, local authorities and public corporations on services in Wales within the Secretary of State's field of responsibility. These figures are contained within the totals shown in Tables 2.4, 2.6 to 2.8, 2.10, 2.11 and 2.13. Table 2.20 shows forecasts of all current and capital expenditure for Welsh local authorities on services in Wales within the Secretary of State's field of responsibilities. Figures in the two Tables are at 1974 Survey prices and do not include provision for the relative price effect.

2. The forecasts provide for an average annual increase of about 1.9 per cent between 1974-75 and 1978-79 in expenditure within the Secretary of State's responsibility. The trends of expenditure in Wales are not dissimilar from those for Great Britain as a whole and the objectives and main determinants of the expenditure are explained in earlier chapters of this White Paper.

3. The policy changes referred to include reductions in capital programmes and current expenditure for 1974-75 announced by the last Government on 17 December 1973; the effects of Government decisions on priorities; and the short-term additions announced by the Chancellor of the Exchequer on 11 September 1974 to assist the construction industry.

4. A number of current developments are likely to affect these figures during the period, for example the impending transfer to the Secretary of State for Wales of powers under section 7 of the Industry Act 1972 relating to selective assistance to industry, the intention to set up a Welsh Development Agency and a Wales Land Authority, measures to help areas affected by the reorganisation of the steel industry, and the possibility of off-shore oil developments.

WITHIN THE SECRETARY OF STATE'S RESPONSIBILITY

£ million at 1974 Survey prices

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
2	3	2	1	1	1	1
75	74	73	79	85	90	97
73	98	152	126	133	133	130
84	83	77	87	84	86	88
150	148	149	154	157	159	163
182	192	196	206	209	214	219
2	2	2	2	2	2	3
568	600	651	655	671	685	701
	—	—23	+17	+12	+10	
	-31	+47	+3	+4	-1	
	631	627	635	655	676	

(1) Capital expenditure on key sector services is subject to specific Departmental approval. Local authorities are however free to set their own priorities within the locally determined sector as a whole and for this reason the pattern of spending described in this part of the table can be no more than a guide.

LOCAL AUTHORITY EXPENDITURE IN

TABLE 2.20

	1969-70	1970-71	1971-72
CURRENT EXPENDITURE			
Roads and transport	23	22	23
Housing	5	4	5
Other environmental services	22	22	23
Education and libraries, science and arts	100	101	108
Health and personal social services	13	14	16
Other public services	1	1	2
Total current expenditure	164	164	177
CAPITAL EXPENDITURE⁽¹⁾			
Key sector			
Roads and transport	6	7	7
Housing	59	59	62
Other environmental services	1	1	3
Education and libraries, science and arts	15	18	25
Health and personal social services	2	3	3
Total key sector	83	88	100
Locally determined sector			
Roads and transport	6	6	7
Other environmental services	10	10	11
Education and libraries, science and arts	2	2	3
Health and personal social services	—	—	—
Total locally determined sector	18	18	21
Total capital expenditure	101	106	121
Total public expenditure	265	270	298

(1) Capital expenditure on key sector services is subject to specific Departmental approval. Local authorities are however free to set their own priorities within the locally determined sector as a whole and for this reason the pattern of spending described in this part of the table can be no more than a guide.

WALES: 1969-70 to 1978-79

£ million at 1974 Survey prices

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
24	26	26	27	28	29	30
7	14	16	15	15	14	14
24	26	29	30	31	32	32
115	122	129	133	138	142	147
18	21	24	26	26	27	27
2	2	2	2	2	2	2
190	211	226	233	240	246	252
10	11	11	9	9	10	11
53	69	107	74	76	75	74
7	4	2	3	2	2	2
28	19	14	13	12	10	9
4	6	4	5	4	4	4
102	109	138	104	103	101	100
10	10	10	7	8	8	9
14	16	11	11	11	11	12
4	3	2	3	3	3	3
—	—	—	—	—	—	—
28	29	23	21	22	22	24
130	138	161	125	125	123	124
320	349	387	358	365	369	376

A million of 1974 power prices

1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
67 24	67 24	67 24	67 24	67 24	67 24
6 7	6 7	6 7	6 7	6 7	6 7
62 24	62 24	62 24	62 24	62 24	62 24
60 13	60 13	60 13	60 13	60 13	60 13
61 18	61 18	61 18	61 18	61 18	61 18
7 5	7 5	7 5	7 5	7 5	7 5
67 90	67 90	67 90	67 90	67 90	67 90
7 10	7 10	7 10	7 10	7 10	7 10
69 23	69 23	69 23	69 23	69 23	69 23
1 7	1 7	1 7	1 7	1 7	1 7
62 28	62 28	62 28	62 28	62 28	62 28
4 4	4 4	4 4	4 4	4 4	4 4
60 05	60 05	60 05	60 05	60 05	60 05
7 10	7 10	7 10	7 10	7 10	7 10
11 14	11 14	11 14	11 14	11 14	11 14
4 4	4 4	4 4	4 4	4 4	4 4
62 28	62 28	62 28	62 28	62 28	62 28
12 28	12 28	12 28	12 28	12 28	12 28
62 90	62 90	62 90	62 90	62 90	62 90
62 50	62 50	62 50	62 50	62 50	62 50

For more information on the Department of Energy's approach to energy conservation, please contact the Energy Conservation Office, Department of Energy, Washington, D.C. 20585. The Office is responsible for the development and implementation of energy conservation programs for Federal agencies. For more information on the Department of Energy's approach to energy conservation, please contact the Energy Conservation Office, Department of Energy, Washington, D.C. 20585.

PART 3

ADDITIONAL STATISTICS

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⁽¹⁾ Similar tables for Scotland and for Wales are included as Tables 2.18 and 2.20 on pages 130 and 134.

PUBLIC EXPENDITURE BY PROGRAMME

TABLE 3.1

	1969-70	1970-71	1971-72
<i>At 1974 Survey prices</i>			
Defence and external relations:			
1. Defence	3,775	3,683	3,747
2. Overseas services	483	464	499
Commerce and industry:			
3. Agriculture, fisheries and forestry	502	494	558
4. Trade, industry and employment:			
Investment grants	728	661	519
Other	806	870	948
Nationalised industries:			
5. Nationalised industries capital expenditure...	2,013	2,173	2,095
Environmental services:			
6. Roads and transport	1,314	1,409	1,370
7. Housing	2,181	2,297	1,994
8. Other environmental services... ..	1,200	1,344	1,368
9. Law, order and protective services	798	852	918
Social services:			
10. Education and libraries, science and arts	3,674	3,862	4,136
11. Health and personal social services... ..	3,125	3,236	3,365
12. Social security	5,755	5,747	6,121
Other services:			
13. Other public services	435	425	454
14. Common services	378	427	460
15. Northern Ireland	623	663	698
Total programmes	27,790	28,607	29,250
Debt interest	3,480	3,301	3,204
Contingency reserve	—	—	—
Shortfall	—	—	—
Total in volume terms	31,270	31,908	32,454
Adjustment to 1974-75 outturn prices	3,641	3,794	3,835
Relative price effect	-2,417	-2,255	-2,338
<i>At 1974-75 outturn prices including the relative price effect</i>			
Total in cost terms	32,494	33,447	33,951

IN VOLUME TERMS: 1969-70 to 1978-79

£ million

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
3,652	3,604	3,538	3,703	3,818	3,830	3,827
600	653	765	693	741	800	864
495	609	1,275	817	853	793	714
316	191	120	50	20	4	—
1,371	1,976	2,288	1,911	1,401	1,339	1,360
2,063	1,867	2,112	2,303	2,394	2,332	2,498
1,449	1,577	1,727	1,766	1,781	1,800	1,814
2,047	2,740	3,616	3,317	3,583	3,648	3,677
1,458	1,522	1,421	1,574	1,558	1,596	1,611
948	1,017	1,055	1,117	1,156	1,194	1,221
4,427	4,459	4,507	4,624	4,753	4,865	4,995
3,588	3,787	3,860	4,032	4,093	4,188	4,296
6,470	6,460	6,863	7,434	7,625	7,762	7,930
603	474	504	503	507	491	491
475	479	494	579	563	603	636
784	846	1,019	1,042	1,019	1,036	1,033
30,746	32,261	35,164	35,465	35,865	36,281	36,967
3,203	3,740	3,800	3,700	3,600	3,500	3,400
—	—	—	300	400	550	750
—	—	-300	-250	-250	-250	-250
33,949	36,001	38,664	39,215	39,615	40,081	40,867
3,979	4,112	4,314	4,326	4,375	4,418	4,514
-2,182	-852	—	-137	-253	-93	108
35,740	39,261	42,978	43,404	43,737	44,406	45,489

PUBLIC EXPENDITURE BY PROGRAMME.

TABLE 3.2

	1969-70	1970-71	1971-72
<i>At 1974-75 outturn prices, including the relative price effect</i>			
Defence and external relations:			
1. Defence... ..	3,728	3,817	3,964
2. Overseas services	564	543	560
Commerce and industry:			
3. Agriculture, fisheries and forestry	574	557	617
4. Trade, industry and employment:			
Investment grants	888	811	628
Other... ..	919	1,005	1,092
Nationalised industries:			
5. Nationalised industries capital expenditure...	2,242	2,442	2,333
Environmental services:			
6. Roads and transport	1,469	1,557	1,473
7. Housing	1,817	1,855	1,592
8. Other environmental services	1,187	1,347	1,354
9. Law, order and protective services	835	934	1,001
Social Services:			
10. Education and libraries, science and arts	4,053	4,265	4,508
11. Health and personal social services	3,267	3,520	3,659
12. Social security	5,799	5,766	6,122
Other services:			
13. Other public services	494	485	528
14. Common services	446	466	500
15. Northern Ireland	732	776	816
Total programmes	29,014	30,146	30,747
Debt interest	3,480	3,301	3,204
Contingency reserve	—	—	—
Shortfall	—	—	—
Total	32,494	33,447	33,951

IN COST TERMS: 1969-70 to 1978-79

£ million

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
3,962	4,083	4,070	4,295	4,463	4,519	4,567
660	731	799	690	691	771	821
533	653	1,324	860	893	830	754
369	225	145	55	20	4	—
1,564	2,290	2,542	2,101	1,523	1,458	1,483
2,265	2,100	2,470	2,675	2,731	2,627	2,806
1,585	1,798	2,058	2,077	2,064	2,064	2,074
1,798	2,905	3,934	3,512	3,692	3,758	3,787
1,476	1,727	1,738	1,904	1,865	1,900	1,932
1,065	1,151	1,270	1,360	1,424	1,488	1,544
4,887	5,032	5,355	5,557	5,770	5,980	6,217
3,908	4,163	4,516	4,758	4,886	5,057	5,254
6,414	6,640	6,926	7,350	75,34	7,659	7,812
664	548	619	630	646	637	648
518	508	541	636	621	671	708
869	967	1,171	1,194	1,164	1,183	1,182
32,537	35,521	39,478	39,654	39,987	40,606	41,589
3,203	3,740	3,800	3,700	3,600	3,500	3,400
—	—	—	300	400	550	750
—	—	-300	-250	-250	-250	-250
35,740	39,261	42,978	43,404	43,737	44,406	45,489

Increase in public sector demand on output in cost terms: 1974-75 to 1978-79

TABLE 3.3

	Expenditure		Demand on Output (2)	
	1974-75 £ million		1974-75 £ million	
			Average annual percentage increase 1974-75 to 1978-79	
<i>At 1974-75 outturn prices including the relative price effect</i>				
Public expenditure with:				
Direct effect on demand				
Goods and services				
Current	...	16,993	16,317	3.9
Capital	...	7,702	6,614	-0.6
Total	...	24,695	22,931	2.7
Indirect effect on demand				
Transfer payments and net lending	...	18,583	12,892	-0.2(1)
Contingency reserve and shortfall	...	-300	-300	—
Total	...	42,978	35,523	2.2(1)

(1) Excludes investment grants.

(2) The basis of the estimates of demand on output is described briefly in Part 4, page 163.

PUBLIC EXPENDITURE BY ECONOMIC

TABLE 14

1974-75		1973-74		1972-73		1971-72		1970-71	
At 1974 survey prices									
Current expenditure									
Weights and salaries									
Other current expenditure on goods and services									
Subsidies									
Debt interest									
Current grants to overseas bodies									
Current grants to overseas bodies									
Total									
Capital expenditure									
Gross domestic fixed capital formation									
Increase in value of stocks									
Capital grants to private sector									
Net lending to private sector									
Net lending to overseas governments									
Drawings from United Kingdom subscriptions to international lending bodies									
Other net lending and investment abroad									
Net expenditure on overseas activities (S&I)									
Capital transfers abroad									
Total									
Continuity tests									
Standard									
Adjustments to 1974-75 output prices and relative price effect									
At 1974-75 output prices									
Total									

PUBLIC EXPENDITURE BY ECONOMIC

TABLE 3.4

	1969-70	1970-71	1971-72
<i>At 1974 Survey prices</i>			
Current expenditure:			
Wages and salaries...	7,543	7,797	8,137
Other current expenditure on goods and services	4,676	4,579	4,782
Subsidies ...	1,223	1,241	1,289
Debt interest ...	3,480	3,301	3,204
Current grants to persons ...	6,023	6,017	6,427
Current grants to private bodies ...	417	451	480
Current grants abroad ...	258	249	292
Total ...	23,620	23,635	24,611
Capital expenditure			
Gross domestic fixed capital formation ...	6,242	6,643	6,296
Increase in value of stocks ...	26	111	91
Capital grants to private sector ...	1,097	1,060	983
Net lending to private sector ...	114	295	271
Net lending to overseas governments ...	108	103	99
Drawings from United Kingdom subscriptions to international lending bodies ...	20	14	17
Other net lending and investment abroad ...	24	35	50
Cash expenditure on company securities (net) ...	19	12	36
Capital transfers abroad ...	—	—	—
Total ...	7,650	8,273	7,843
Contingency reserve ...	—	—	—
Shortfall ...	—	—	—
Adjustments to 1974-75 outturn prices and relative price effect ...	1,224	1,539	1,497
<i>At 1974-75 outturn prices</i>			
Total ...	32,494	33,447	33,951

22,000

CATEGORY: 1969-70 to 1978-79

£ million

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
2.9	3.1	3.9	3.4	2.6		
8,480	8,796	9,159	9,403	9,605	9,781	9,959
4,816	4,909	5,076	5,317	5,505	5,612	5,706
1,289	2,060	3,229	2,850	2,468	2,454	2,403
3,203	3,740	3,800	3,700	3,600	3,500	3,400
7,068	7,026	7,544	8,193	8,412	8,571	8,759
514	563	596	606	615	637	662
306	410	360	441	488	541	596
25,676	27,504	29,764	30,510	30,693	31,096	31,485
			1.6	-1.5		
6,281	6,480	6,440	6,930	6,901	6,829	6,970
267	-27	178	58	46	52	37
846	873	801	939	974	997	1,025
291	581	979	111	411	387	408
110	81	95	126	130	135	150
31	45	62	47	50	56	60
388	429	520	417	248	217	220
13	11	48	27	12	12	12
46	24	77	—	—	—	—
8,273	8,497	9,200	8,655	8,772	8,685	8,882
—	—	—	300	400	550	750
—	—	-300	-250	-250	-250	-250
1,791	3,260	4,314	4,189	4,122	4,325	4,622
35,740	39,261	42,978	43,404	43,737	44,406	45,489

CG.

74/3-75/2 0.0

75/4-74/3 7.25

76/5-75/4 8.0

77/6-76-5. 8.5

**PUBLIC EXPENDITURE BY SPENDING AUTHORITY,
1969-70 to**

TABLE 3.5

		1969-70	1970-71	1971-72
<i>At 1974 Survey prices</i>				
Central Government				
Supply	Current ...	11,185	11,237	11,763
	Capital ...	2,054	2,123	2,077
Other	Current ...	4,385	4,378	4,681
	Capital ...	13	24	-44
Local Authorities				
	Current ...	4,570	4,719	4,963
	Capital ...	2,925	3,260	3,089
Public corporations				
	Capital ...	2,658	2,866	2,721
Debt interest		3,480	3,301	3,204
Contingency reserve		—	—	—
Shortfall		—	—	—
Adjustment to 1974-75 outturn prices and relative price effect		1,224	1,539	1,497
<i>At 1974-75 outturn prices</i>				
Total		32,494	33,447	33,951

**DISTINGUISHING CURRENT AND CAPITAL EXPENDITURE:
1978-79**

£ million

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
11,933	12,798	14,112	14,203	13,991	14,081	14,176
2,329	2,406	2,572	2,343	2,057	2,007	2,060
5,185	5,201	5,592	6,096	6,389	6,639	6,884
33	11	297	-242	70	86	86
5,355	5,765	6,260	6,511	6,713	6,876	7,025
3,224	3,471	3,385	3,168	3,072	3,043	3,025
2,687	2,609	2,946	3,386	3,573	3,549	3,711
3,203	3,740	3,800	3,700	3,600	3,500	3,400
—	—	—	300	400	550	750
—	—	-300	-250	-250	-250	-250
1,791	3,260	4,314	4,189	4,122	4,325	4,622
35,740	39,261	42,978	43,404	43,737	44,406	45,489

Public expenditure by main programme and spending authority, distinguishing current and capital expenditure: 1973-74

TABLE 3.6

£ million at 1974 Survey prices

	Central Government		Local authorities	Public Corporations	Total
	Supply	Other			
1. Defence					
Current	3,505	1	—	—	3,506
Capital	85	13	—	—	98
2. Overseas services					
Current	341	138	—	—	479
Capital	160	—5	—	19	174
3. Agriculture, fisheries and forestry					
Current	497	—6	1	—	492
Capital	110	—3	2	8	117
4. Trade, industry and employment					
Current	1,195	38	15	—	1,248
Capital	977	—59	1	—	919
5. Nationalised industries capital	—	—	—	1,867	1,867
6. Roads and transport					
Current	329	—2	398	—	725
Capital	331	2	507	12	852
7. Housing					
Current	458	—	350	—	808
Capital	—	—2	1,808	126	1,932
8. Other environmental services					
Current	60	—	613	—	673
Capital	7	—4	408	438	849
9. Law, order and protective services					
Current	200	6	699	—	905
Capital	48	—	64	—	112
10. Education and libraries, science and arts					
Current	662	—	3,062	—	3,724
Capital	205	—1	531	—	735
11. Health and personal social services					
Current	2,852	4	460	—	3,316
Capital	358	—	113	—	471
12. Social security					
Current	1,582	4,878	—	—	6,460
13. Other public services					
Current	334	43	47	—	424
Capital	11	—5	—	44	50
14. Common services					
Current	431	—22	—	—	409
Capital	73	—3	—	—	70
15. Northern Ireland					
Current	352	123	120	—	595
Capital	41	78	37	95	251
Debt interest	36	2,216	1,145	343	3,740
Total	15,240	7,428	10,381	2,952	36,001

**Public expenditure by programme and spending authority, distinguishing
current and capital expenditure: 1975-1976**

TABLE 3.7

£ million at 1974 Survey prices

	Central Government		Local authorities	Public corporations	Total
	Supply	Other			
1 DEFENCE					
1.1 Defence Budget ...	3,700	—	—	—	3,700
1.2 National accounts adjustments ...	-13	16	—	—	3
Total current ...	3,606	2	—	—	3,608
capital ...	81	14	—	—	95
Total ...	3,687	16	—	—	3,703
2 OVERSEAS SERVICES					
2.1 Overseas representation	103	—	—	—	103
2.2 Overseas information ...	43	—	—	3	46
2.3 Other external relations	51	2	—	—	53
2.4 Military aid ...	2	-1	—	—	1
2.5 Overseas aid ...	357	-32	—	16	341
2.6 Overseas aid administration ...	6	—	—	—	6
2.7 Contributions to the EEC etc ...	—	143	—	—	143
2.8 Sterling area guarantees	—	—	—	—	—
Total current ...	351	143	—	—	494
capital ...	211	-31	—	19	199
Total ...	562	112	—	19	693
3 AGRICULTURE, FISHERIES AND FORESTRY					
3.1 Market regulation and production support ...	170	—	—	—	170
3.2 Support for capital and other improvements ...	51	—	—	—	51
3.3 Support for agriculture in special areas ...	47	—	—	—	47
3.4 Other assistance to agriculture production, food processing and marketing ...	81	-121	4	—	-36
3.5 Covent Garden Market Authority ...	—	—	—	—	—
3.6 Central and miscellaneous services ...	44	—	-2	—	42
3.7 Support for the fishing industry ...	17	-2	2	—	17
3.8 Forestry ...	38	—	—	—	38
3.9 Food subsidies ...	488	—	—	—	488
Total current ...	846	—	2	—	848
capital ...	90	-123	2	—	-31
Total ...	936	-123	4	—	817

continued overleaf

TABLE 3.7 continued

£ million at 1974 Survey prices

	Central Government		Local authorities	Public corporations	Total
	Supply	Other			
4 TRADE, INDUSTRY AND EMPLOYMENT					
4.1 Regional support and regeneration ...	565	-27	—	—	538
4.2 Industrial innovation ...	188	-11	—	—	177
4.3 General support for industry ...	239	-42	—	—	197
4.4 Support for nationalised industries (other than transport industries) ...	356	—	—	—	356
4.5 International trade ...	360	—	—	—	360
4.6 Regulation of domestic trade and industry and consumer protection ...	1	—	—	—	1
4.7 Functioning of the labour market ...	185	55	22	—	262
4.8 Central and miscellaneous services ...	65	—	5	—	70
Total current ...	1,053	55	18	—	1,126
capital ...	906	-80	9	—	835
Total ...	1,959	-25	27	—	1,961
5 NATIONALISED INDUSTRIES					
5.1 Fuel ...	—	—	—	1,061	1,061
5.2 British Steel Corporation	—	—	—	392	392
5.3 Post Office ...	—	—	—	730	730
5.4 Airways and airports ...	—	—	—	182	182
5.5 Surface transport industries ...	—	—	-24	262	238
Shortfall ...	—	—	—	-300	-300
Total capital ...	—	—	-24	2,327	2,303
Total ...	—	—	-24	2,327	2,303
6 ROADS AND TRANSPORT					
6.1 Motorways and trunk roads etc ...	372	-2	—	—	370
6.2 Local transport ...	—	—	912	—	912
6.3 Central Government subsidies ...	342	—	—	—	342
6.4 Ports and shipping ...	6	4	18	19	47
6.5 Civil aviation ...	37	—	14	15	66
(1)	14	—	—	—	14
6.7 Other transport services VAT paid by local authorities ...	—	—	15	—	15
Total current ...	447	-2	519	—	964
capital ...	324	4	440	34	802
Total ...	771	2	959	34	1,766

(1) Programme 6.6 previously provided for the Maplin Development Authority.

TABLE 3.7 continued

£ million at 1974 Survey prices

	Central Government		Local authorities	Public corporations	Total
	Supply	Other			
7 HOUSING					
7.1 Subsidies	713	—	491	—	1,204
7.2 Option mortgage scheme	81	—	—	—	81
7.3 Improvements	—	—	414	4	418
7.4 Investment	—	—	1,117	158	1,275
7.5 Lending	—	-154	254	220	320
7.6 Administration	6	—	13	—	19
Total current	800	—	504	—	1,304
capital	—	-154	1,785	382	2,013
Total	800	-154	2,289	382	3,317
8 OTHER ENVIRONMENTAL SERVICES					
8.1 Water supply and conservation	—	—	116	411	527
8.2 Improvement of the environment and other local facilities	9	—	893	47	949
8.3 Royal palaces and royal parks	7	—	—	—	7
8.4 Historical buildings and ancient monuments	11	—	1	—	12
8.5 Environmental research	24	—	—	—	24
8.6 Central and miscellaneous environmental services	30	—	—	—	30
VAT paid by local authorities	—	—	25	—	25
Total current	70	—	705	—	775
capital	11	—	330	458	799
Total	81	—	1,035	458	1,574
9 LAW, ORDER AND PROTECTIVE SERVICES					
9.1 Administration of justice	94	6	38	—	138
9.2 Treatment of offenders..	138	—	26	—	164
9.3 General protective services	36	—	718	—	754
9.4 Civil defence	10	—	2	—	12
9.5 Community services	9	—	21	—	30
9.6 Central and miscellaneous services	15	—	—	—	15
VAT paid by local authorities	—	—	4	—	4
Total current	223	6	733	—	962
capital	79	—	76	—	155
Total	302	6	809	—	1,117

continued overleaf

TABLE 3.7 continued

£ million at 1974 Survey prices

		Central Government		Local authorities	Public corporations	Total
		Supply	Other			
10	EDUCATION AND LIBRARIES, SCIENCE AND ARTS					
10.1	Schools	47	-1	2,710	—	2,756
10.2	Higher and further education	588	—	708	—	1,296
10.3	Libraries	14	—	102	—	116
10.4	Miscellaneous educational services, research and administration	23	—	189	—	212
10.5	Research Councils etc	146	—	—	—	146
10.6	Arts	44	—	13	—	57
	VAT paid by local authorities	—	—	41	—	41
	Total current	693	—	3,334	—	4,027
	capital	169	-1	429	—	597
	Total	862	-1	3,763	—	4,624
11	HEALTH AND PERSONAL SOCIAL SERVICES					
11.1	Health	3,282	—	—	—	3,282
11.2	Personal social services	7	—	640	—	647
11.3	Central and miscellaneous services	95	4	1	—	100
	VAT paid by local authorities	—	—	3	—	3
	Total current	3,073	4	556	—	3,633
	capital	311	—	88	—	399
	Total	3,384	4	644	—	4,032
12	SOCIAL SECURITY					
12.1	Pension benefits: national insurance	—	4,398	—	—	4,398
12.2	Pension benefits: other	321	—	—	—	321
12.3	Supplementary benefit	786	—	—	—	786
12.4	Family benefits	350	—	—	—	350
12.5	Other non-pension benefits: national insurance	—	804	—	—	804
12.6	Administration and miscellaneous services	100	175	—	—	275
	Allowance for uprating improvements from July 1974 onwards	152	348	—	—	500
	Total current	1,708	5,725	—	—	7,433
	capital	1	—	—	—	1
	Total	1,709	5,725	—	—	7,434

TABLE 3.7 continued

£ million at 1974 Survey prices

	Central Government		Local authorities	Public corporations	Total
	Supply	Other			
13 OTHER PUBLIC SERVICES					
13.1 Parliament and Privy Council	12	1	—	—	13
13.2 Economic and financial administration	322	24	39	5	390
13.3 Central management of the Civil Service	13	—	—	—	13
13.4 Records, registrations and surveys	21	-2	11	—	30
13.5 Broadcasting (capital expenditure)	—	—	—	19	19
13.6 Other services	16	1	—	20	37
VAT paid by local authorities	—	—	1	—	1
Total current	374	25	51	—	450
capital	10	-1	—	44	53
Total	384	24	51	44	503
14 COMMON SERVICES					
14.1 Office and general accommodation services	199	—	—	—	199
14.2 Stationery and printing (home)	55	—	—	—	55
14.3 Computers and telecommunications	29	—	—	—	29
14.4 Home publicity	14	—	—	—	14
14.5 Civil superannuation	200	-17	—	—	183
14.6 Rates on Government property	89	—	—	—	89
14.7 Other common services	10	—	—	—	10
Total current	492	-17	—	—	475
capital	104	—	—	—	104
Total	596	-17	—	—	579

continued overleaf

TABLE 3.7 continued

£ million at 1974 Survey prices

	Central Government		Local authorities	Public corporations	Total	
	Supply	Other				
15	NORTHERN IRELAND					
15.1	Agriculture, fisheries and forestry ...	47	1	—	—	48
15.2	Trade, industry and employment	73	75	—	5	153
15.3	Fuel ...	—	—	2	52	54
15.4	Roads and transport ...	18	25	2	4	49
15.5	Housing ...	18	—	2	59	79
15.6	Other environmental services ...	17	18	13	—	48
15.7	Law, order and protective services ...	48	—	39	—	87
15.8	Education and libraries, science and arts ...	81	8	60	—	149
15.9	Health and personal social services ...	120	—	—	—	120
15.10	Social security ...	73	155	—	—	228
15.11	Other public services ...	11	—	2	2	15
15.12	Common services	7	3	—	—	10
	VAT paid by local authorities ...	—	—	2	—	2
	Total current ...	467	156	89	—	712
	capital ...	46	129	33	122	330
	Total ...	513	285	122	122	1,042
	DEBT INTEREST ...	30	2,215	1,035	420	3,700
	Total ...	16,576	8,069	10,714	3,806	39,165

Public expenditure by main programme and spending authority, distinguishing current and capital expenditure: 1978-1979

TABLE 3.8

£ million at 1974 Survey prices

	Central Government		Local authorities	Public Corporations	Total
	Supply	Other			
1. Defence					
Current	3,753	2	—	—	3,755
Capital	61	11	—	—	72
2. Overseas services					
Current	361	272	—	—	633
Capital	247	—32	—	16	231
3. Agriculture, fisheries and forestry					
Current	620	—	1	—	621
Capital	96	—3	—	—	93
4. Trade, industry and employment					
Current	716	52	20	—	788
Capital	597	—37	12	—	572
5. Nationalised industries					
Capital	—	—	—42	2,540	2,498
6. Roads and transport					
Current	461	—3	503	—	961
Capital	363	2	449	39	853
7. Housing					
Current	927	—	550	—	1,477
Capital	—	—4	1,706	498	2,200
8. Other environmental services					
Current	77	—	751	—	828
Capital	13	—	296	474	783
9. Law, order and protective services					
Current	254	6	801	—	1,061
Capital	75	—	85	—	160
10. Education and libraries, science and arts					
Current	760	—	3,659	—	4,419
Capital	170	—1	407	—	576
11. Health and personal social services					
Current	3,339	3	594	—	3,936
Capital	279	—	81	—	360
12. Social security					
Current	1,556	6,373	—	—	7,929
Capital	1	—	—	—	1
13. Other public services					
Current	361	27	52	—	440
Capital	3	1	—	47	51
14. Common services					
Current	533	—17	—	—	516
Capital	120	—	—	—	120
15. Northern Ireland					
Current	458	169	94	—	721
Capital	35	149	31	97	312
Debt interest	30	2,000	970	400	3,400
Total	16,266	8,970	11,020	4,111	40,367

LOCAL AUTHORITY EXPENDITURE IN

TABLE 3.9

			1969-70	1970-71	1971-72
CURRENT EXPENDITURE					
Agriculture, fisheries and forestry	...	...	3	2	2
Trade, industry and employment	...	...	11	13	13
Roads and transport	...	...	291	290	309
Housing	...	...	104	109	61
Other environmental services	...	...	439	443	461
Law, order and protective services	...	...	547	570	595
Education and libraries, science and arts	...	...	2,233	2,303	2,457
Health and personal social services	...	...	256	278	303
Other public services	...	...	28	31	36
Total current expenditure	...	...	3,912	4,039	4,237
CAPITAL EXPENDITURE (2)					
Key sector					
Agriculture, fisheries and forestry	...	...	1	1	2
Trade, industry and employment	...	...	—	—	—
Roads and transport ⁽³⁾	272	302	298
Housing	...	...	1,315	1,413	1,247
Other environmental services	...	...	12	18	16
Law, order and protective services	...	...	41	54	50
Education and libraries, science and arts	...	...	325	380	436
Health and personal social services	...	...	40	45	52
Total key sector	...	...	2,006	2,213	2,101
Locally determined sector					
Agriculture, fisheries and forestry	...	...	-1	—	-2
Trade, industry and employment	...	...	1	1	1
Roads and transport ⁽³⁾	89	120	114
Housing	...	...	5	5	6
Other environmental services	...	...	211	283	246
Law, order and protective services	...	...	12	13	17
Education and libraries, science and arts	...	...	70	83	92
Health and personal social services	...	...	6	7	7
Total locally determined sector	...	...	393	512	481
Total capital expenditure	...	...	2,399	2,725	2,582
Total public expenditure	...	...	6,311	6,764	6,819

(1) This is consistent with the level of relevant expenditure accepted in the 1975-76 rate support grant settlement for England and Wales (£6,487 million at November 1973 prices). The difference of £789 million arises mainly because the local authority current expenditure programmes as expressed in Part 2 of this White Paper exclude loan charges and capital expenditure met from revenue; there are also differences in the treatment of housing subsidies. The relationship of relevant expenditure to the figures of current expenditure given above will change as interest rates and prices vary.

(2) Capital expenditure on key sector services is subject to specific Departmental approval. Local authorities are however free to set their own priorities within the locally determined sector as a whole and for this reason the pattern of spending described in this part of the table can be no more than a guide.

(3) The figures for 1975-76 onwards reflect the change in classification of expenditure between the key and locally-determined sectors, resulting from the introduction of the new Transport Supplementary Grant System.

ENGLAND AND WALES: 1969-70 to 1978-79

£ million at 1974 survey prices

1972-73	1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
1	1	1	1	1	1	1
14	14	15	16	17	17	18
329	342	442	452	444	434	423
153	298	402	442	459	475	486
486	518	582	606	624	632	639
616	634	649	665	688	708	729
2,592	2,730	2,882	2,982	3,099	3,196	3,288
352	408	466	492	504	515	526
36	38	40	42	42	42	42
4,579	4,983	5,479	5,698(1)	5,878	6,020	6,152
6	8	6	5	1	1	1
—	—	—	6	8	8	7
320	325	294	244	249	245	247
1,231	1,590	1,813	1,563	1,529	1,513	1,502
44	80	43	44	7	13	34
27	41	50	54	55	61	63
508	347	281	275	268	259	264
66	92	70	74	67	64	65
2,202	2,483	2,557	2,265	2,184	2,164	2,183
-15	-6	-3	-3	-3	-3	-1
1	1	1	2	3	3	3
121	125	108	137	134	133	133
5	5	6	6	6	6	6
269	242	164	197	195	199	169
14	13	11	12	12	12	12
112	100	87	79	78	81	85
8	11	8	7	7	8	8
515	491	382	437	432	439	415
2,717	2,974	2,939	2,702	2,616	2,603	2,598
7,296	7,957	8,418	8,400	8,494	8,623	8,750

Gross public expenditure, charges and other directly related receipts, by programme: 1973-74

The following table shows estimates for the year 1973-74 of the charges which are classified as offsets to expenditure and of the other receipts which are not netted off public expenditure but which are determined in relation to the administration of particular services rather than as elements of fiscal policy.

TABLE 3.10

£ million

	Gross expenditure	Receipts		Total expenditure net of charges
		Charges	Other	
<i>At 1974-75 outturn prices, including the relative price effect</i>				
1. Defence	4,627	544	8	4,083
2. Overseas services	736	5	20	731
3. Agriculture, fisheries and forestry...	665	12	9	653
4. Trade, industry and employment...	2,555	40	121	2,515
5. Nationalised industries	2,100	—	(1)	2,100
6. Roads and transport	1,856	58	8	1,798
7. Housing	2,905	—	172	2,905
8. Other environmental services ...	1,908	181	17	1,727
9. Law, order and protective services	1,188	37	2	1,151
10. Education and libraries, science and arts	5,279	247	8	5,032
11. Health and personal social services	4,409	246	274	4,163
12. Social security	6,641	1	4,401	6,640
13. Other public services	579	31	12	548
14. Common services	509	1	87	508
15. Northern Ireland	976	9	130	967
Debt interest	3,740	—	1,246	3,740
Total... ..				39,261

(1) The trading surpluses of nationalised industries are not included.

**Gross public expenditure, charges and other directly related receipts,
by programme: 1975-76**

The following table shows estimates for the year 1975-76 of the charges which are classified as offsets to expenditure and of the other receipts which are not netted off public expenditure but which are determined in relation to the administration of particular services rather than as elements of fiscal policy.

TABLE 3.11

£ million

	Gross expenditure	Receipts		Total expenditure net of charges
		Charges	Other	
<i>At 1974-75 outturn prices, including the relative price effect</i>				
1. Defence	4,946	651	11	4,295
2. Overseas services	694	4	19	690
3. Agriculture, fisheries and forestry...	871	11	8	860
4. Trade, industry and employment ...	2,195	39	111	2,156
5. Nationalised industries	2,675	—	(1)	2,675
6. Roads and transport	2,135	58	6	2,077
7. Housing	3,512	—	128	3,512
8. Other environmental services ...	2,106	202	13	1,904
9. Law, order and protective services	1,399	39	1	1,360
10. Education and libraries, science and arts	5,814	257	7	5,557
11. Health and personal social services	5,004	246	369	4,758
12. Social security	7,350	—	5,042	7,350
13. Other public services	660	30	-38	630
14. Common services	639	3	90	636
15. Northern Ireland	1,204	10	127	1,194
Debt interest	3,700	—	1,209	3,700
Contingency reserve				300
Shortfall				-250
Total... ..				43,404

(1) The trading surpluses of nationalised industries are not included.

**Gross public expenditure, charges and other directly related receipts,
by programme: 1978-79**

The following table shows estimates for the year 1978-79 of the charges which are classified as offsets to expenditure and of the other receipts which are not netted off public expenditure but which are determined in relation to the administration of particular services rather than as elements of fiscal policy.

TABLE 3.12

£ million

	Gross expenditure	Receipts		Total expenditure net of charges
		Charges	Other	
<i>At 1974-75 outturn prices, including the relative price effect</i>				
1. Defence	5,008	441	11	4,567
2. Overseas services	824	3	10	821
3. Agriculture, fisheries and forestry...	765	11	5	754
4. Trade, industry and employment...	1,532	49	194	1,483
5. Nationalised industries	2,806	—	(1)	2,806
6. Roads and transport	2,155	81	5	2,074
7. Housing	3,787	—	74	3,787
8. Other environmental services ...	2,144	212	10	1,932
9. Law, order and protective services	1,594	50	1	1,544
10. Education and libraries, science and arts	6,524	307	5	6,217
11. Health and personal social services	5,509	255	518	5,254
12. Social security	7,812	—	6,450	7,812
13. Other public services	682	34	-69	648
14. Common services	711	3	69	708
15. Northern Ireland	1,195	13	151	1,182
Debt interest	3,400	—	1,105	3,400
Contingency reserve				750
Shortfall*				-250
Total...				45,489

(1) The trading surpluses of nationalised industries are not included.

Analysis of changes since Cmnd. 5519

TABLE 3.13

£ million at 1974 Survey prices

	1974-75	1975-76	1976-77	1977-78
A. Announced policy changes				
1. Reductions announced on 17 December 1973				
Defence	-207			
Agriculture, fisheries, and forestry ...	-8			
Trade, industry and employment ...	-20			
Nationalised industries capital expenditure	-282			
Roads and transport	-243			
Other environmental services ...	-164			
Law order and protective services ...	-39			
Education and libraries, science and arts	-226			
Health and personal social services...	-138			
Other public services	-5			
Common services	-31			
Total,	-1,363			
2. Other policy changes announced by the last Government				
Overseas services	—	-3	-1	—
Agriculture, fisheries and forestry ...	+35	—	—	—
Nationalised industries capital expenditure	+21	—	—	—
Roads and transport	+21	+16	+15	+14
Other environmental services ...	+74	—	—	—
Law, order and protective services ...	+1	+3	+1	—
Education and libraries, science and arts	-1	—	—	—
Health and personal social services...	+1	+2	+2	+2
Northern Ireland	+16	+1	+1	+1
Total	+168	+19	+18	+17
3. Changes resulting from Budget Statement of 26 March				
Social security uprating ⁽¹⁾	+263	+260	+259	+262
Food subsidies	+526	+488	+420	+360
Housing: acquisition, new building, municipalisation, and subsidies ...	+240	+300	+328	+355
Defence savings	-55	—	—	—
Maplin project	-14	-28	-34	-49
Option mortgages	+5	+8	+8	+8
Total	+965	+1,028	+981	+936
4. Changes resulting from the Chancellor's statement of 11 September 1974 on the construction industry				
Trade, industry and employment ...	—	+9	—	—
Roads and transport	—	+3	—	—
Other environmental services ...	—	+47	—	—
Law, order and protective services ...	—	+3	+1	—
Education and libraries, science and arts	—	+17	+8	+1
Health and personal social service ...	—	+16	+12	—
Common services	—	+5	—	—
Northern Ireland	—	+2	—	—
Total	—	+102	+21	+1

continued overleaf

Analysis of changes since Cmnd. 5519—continued

TABLE 3.13 continued

£ million at 1974 Survey prices

	1974-75	1975-76	1976-77	1977-78
5. Other announced policy changes				
Defence ⁽²⁾	—	-300	-270	-350
Overseas services	+145	—	—	—
Agriculture, fisheries and forestry... ..	+261	-65	+26	+22
Trade, industry and employment... ..	+209	+297	+235	+237
Nationalised industries	-1	-11	-21	-31
Roads and transport	+1	+1	+1	+1
Housing	+46	+22	+26	+29
Law, order and protective services	—	+2	+3	+3
Education and libraries, science and arts	—	+1	+1	+1
Health and personal social services	+30	+65	+34	+38
Social security ⁽¹⁾	+92	+508	+665	+815
Other public services	-2	+4	+12	-4
Northern Ireland	+49	+79	+44	+35
Total	+830	+603	+756	+795
Total announced policy changes ...	+600	+1,752	+1,776	+1,750
B. Other changes⁽³⁾				
Defence	-61	+68	+134	+167
Overseas services	-54	-46	-62	-68
Agriculture, fisheries and forestry... ..	-93	-10	+23	+30
Trade, industry and employment... ..	+421	+243	+96	+98
Nationalised industries	-24	-294	-229	-312
Roads and transport	+161	-72	-77	-56
Housing	+1,003	+853	+1,092	+1,165
Other environmental services	+25	-106	-119	-176
Law, order and protective services	+8	-44	-50	-59
Education and libraries, science and arts	+66	-244	-300	-375
Health and personal social services	+74	-80	-107	-140
Social security ⁽¹⁾	+93	+163	+149	+106
Other public services	+52	+28	+41	+38
Common services	-12	-14	-37	-33
Northern Ireland	+31	+34	+41	+46
Debt interest	+507	+525	+542	+560
Total	+2,197	+1,004	+1,137	+991
Total of all changes (A + B) ...	+2,797	+2,756	+2,913	+2,741

(1) In interpreting these figures it should be noted that because of the change in presentation described in paragraphs 2-4 of Chapter 12 in Part 2 (pages 108-110) the figures for social security in this White Paper are not directly comparable with those shown in Cmnd 5519.
 (2) Includes consequences of Maplin cancellation.
 (3) Excluding contingency reserve and shortfall.

PART 4

Glossary of Terms Used and Technical Notes

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Note: The booklet "Public Expenditure White Papers: Handbook on Methodology" (HMSO) gives an account of the methods used to compile the figures for the White Paper, and explains in rather more detail than in Section I and II below the significance of the various terms which are used.

I Glossary of terms used

Changes since Cmnd 5519—comparisons between figures in this White Paper and in the last White Paper (Cmnd 5519) are made at a common price basis (1974 Survey prices). Differences are accounted for by:

Policy changes—which result from Government announced changes in existing policies.

(Handbook on Methodology, paragraphs 105-7).

Other changes—these include estimating changes which result from a *Re-costing* of the policies embodied in Cmnd 5519. On the status of Cmnd 5519, see the Introduction to Part 2 of this White Paper.

Charges—payments for goods and services, produced by non-trading activities of central and local government which are netted off public expenditure. The payments treated as charges in this sense are more related to the cost of provision of goods and services, not payments whose purpose is to raise revenue. Examples are charges for school meals and for dental treatment. (Tables 3.10 to 3.12 above and Handbook on Methodology, Appendix A.)

Concessional aid—aid in the form of grants or loans carrying rates of interest below market rates.

Contingency reserve—see Table 2.16 and supporting text in Part 2.

Debt interest—the estimates represent the total payable to private and overseas sectors by central government, local authorities and public corporations.

Demand on output—the extent to which a particular category of expenditure imposes demand on currently produced goods and services. *Transfer payments* when spent by the recipient, produce an indirect demand effect, which is usually smaller than that of direct expenditure on goods and services (Handbook on Methodology, paragraphs 80-87).

Directly related receipts—receipts by central or local government, such as national insurance contributions, which are determined in relation to the administration of particular services but which do not satisfy the conditions for *Charges*.

Gross domestic product—the total value of the output of goods and services produced within the country (see also *Productive potential*).

Prices—(adjustments, constant, outturn, relative price effect, Survey)—see Section II below.

Productive potential—the capacity of the nation at a particular period of time to produce goods and services. Productive potential varies with changes in the size of the working population, in the average number of hours worked and in productivity. The actual level of output—*Gross domestic product*—varies with changes in the degree of use of productive capacity.

Public corporations—nationalised industries, New Town corporations and other enterprises publicly owned and managed in the public interest, as described in Chapter VII of “National Accounts Statistics: Sources and Methods”. (Direct government trading activities are not included.)

Public expenditure—the current and capital expenditure of central government and local authorities, other than expenditure charged to the operating account of trading bodies, together with the capital expenditure of nationalised industries and other public corporations, and including debt interest and net lending. The estimates of public expenditure in this White Paper are net of *Charges* and do not include imputed rent.

Re-costing—revised estimate at constant prices of the expenditure required to implement a given policy; not to be confused with *Revaluation* (Handbook of Methodology, paragraphs 106-7).

Revaluation—the process of adjusting estimates of expenditure to a different price basis—in particular, adjusting estimates in the December 1973 White Paper (Cmnd 5519) to take account of pay and price changes in the twelve months since those estimates were prepared; not to be confused with *Recosting* (Handbook on Methodology, paragraphs 102-3). See Section II for the price basis of expenditure affected by foreign exchange rates.

Shortfall, general deduction for—see Table 2.16 and supporting text in Part 2.

Supply expenditure—expenditure by central government which is financed by monies voted by Parliament. Details are given in Supply Estimates and Appropriation Accounts. In this White Paper it also includes expenditure on the Votes of Northern Ireland departments.

Transfer payments—payments for which no goods or services are received in return. They include social security benefits, grants to individuals and companies, and debt interest.

II Price basis⁽¹⁾

1. Unless otherwise stated, the figures of public expenditure in this White Paper are expressed at constant prices. There are, however, two constant price series which serve different purposes, each having its own significance and importance.

⁽¹⁾ A more detailed account is given in Chapter IV of the Handbook on Methodology.

In volume terms—at 1974 Survey prices (Table 3.1)

2. The figures embodied in this White Paper described as being *at Survey prices* are produced on the assumption that prices throughout the period covered have been, and will remain, at the levels prevailing at the base date for the annual (1974) Survey. Such figures measure changes in the amount of goods and services purchased by the public sector, and thus provide an indication of the volume of services supplied (hence they are sometimes also referred to as figures *in volume terms*). They are of importance both because prospective changes in the scale of individual services are a natural matter of interest and because it is in terms of these figures that the programmes are in practice controlled. Programmes have to be planned in terms of the underlying activities (eg numbers of staff employed; goods and services purchased) needed to give effect to Government policies. These therefore are the figures displayed throughout the individual programme tables in Part 2 and discussed in the accompanying commentaries and summarised in Table 3.1.

In cost terms—including the relative price effect (Table 3.2)

3. In considering public expenditure decisions it is necessary to take account not only of the volume of services of various types it is desired to provide, but also their prospective cost. The relative costs of different goods and services are indicated at any time by their current prices. Projections in volume terms are at prices of the base date, and do not reflect relative costs in other years. But in practice these price relationships change; some goods, and the cost of some public expenditure programmes, rise faster in price than others. It is not practicable to forecast actual prices, but the prices of some classes of goods and services have a fairly well defined tendency to rise faster than, and the prices of others to lag behind, the average price of GDP; and it is therefore possible to establish trends in *relative prices*. By projecting these trends estimates can be made, in broad terms, of this *relative price effect* in coming years. Fluctuations in relative prices about their trends have in the past been small, and until this year it has not been necessary to take account of them in estimating relative price effect. In the last two years however there have been some marked changes in price relationships; in particular there has been a very sharp increase in building costs. The method of estimation has therefore been revised to take account of deviations of relative prices from, and their subsequent reversion towards, long term trend levels.

4. Volume projections adjusted by the relative price effect are said to be *in cost terms, including the relative price effect*. These figures enable a comparison to be made of the relative costs of different programmes in the coming years. They can also be used to estimate the relation which they will bear, individually and in total, to national output at the price levels appropriate to those years. The constant price basis used for figures in cost terms is estimated *1974-75 outturn prices*—ie the level of prices paid in 1974-75—rather than Survey prices which do not all refer to the same date. Table 3.2 is in cost terms throughout. Table 3.1 is compiled in volume terms, at Survey prices, but the overall adjustment from Survey prices to 1974-75 outturn prices, and the adjustment for the relative price effect, are shown separately at the foot of the table, leading to overall totals in cost terms.

Market and factor cost prices

5. The basic Survey price figures are market prices, inclusive of indirect taxes and net of any subsidies. In estimating the *demand effect* or *resource cost* of expenditure the indirect tax element is irrelevant; as demand it quickly returns to the Exchequer, and it does not make any call on the basic factors of production, labour, capital and imports. Subsidies correspondingly cause market prices to under-estimate demand and resource cost. For this reason *factor cost* prices, net of indirect taxes and with subsidies added back, are used in the resources Table 1.1, and in the calculation of the demand effect. In the case of the transfer and lending element of public expenditure further adjustments are necessary to take account of the proportion which does not enter into final expenditure on goods and services, because it is paid in direct taxation or saved.

Price adjustments

6. In this White Paper, for the first time, all cash programmes are treated in the same way as other programmes, and no special price adjustments are required. The difference between Survey prices and cost terms estimates in each year is analysed in Table 3.1 between the adjustment to 1974-75 outturn prices and the estimated relative price effect.

Foreign exchange rates

7. Estimates of expenditure which are directly affected by foreign exchange rates reflect average rates prevailing in October 1974. Actual payments will of course reflect the rates prevailing when those payments are made. However, the contributions to the European Communities are, under the budget regulations, based on a rate of 2.4 units of account to the £.

III Classification changes

1. The following transfers between programmes reflect changes which have occurred since the 1973 public expenditure White Paper (Cmnd 5519) in organisation and reassessment of the functions of some elements of expenditure:

- a. Certain capital grants expenditure (Nature Conservancy Council)—from Trade, industry and employment to Other environmental services.
- b. Expenditure on wages and salaries for the rent registration service—from Other environmental services to Housing.
- c. Some small redistribution of Welsh Office expenditure between several programmes.
- d. School health service—from Education and libraries, science and arts to Health and personal social services.
- e. Remission of patients charges—from Social security to Health and personal social services.
- f. Services for the disabled—from Health and personal social services to Social security.
- g. Agricultural support payments in Northern Ireland—from Agriculture, fisheries and forestry to Northern Ireland.

2. Four items are included for the first time in the Survey coverage:

- a. Financing of certain UK Atomic Energy Authority superannuation—included in Trade, industry and employment.

- b. Grants to the Open University—included in Northern Ireland.
- c. Rates contributions for certain education, health and other services transferred from local authorities to central government—included in Northern Ireland.
- d. Former local authority expenditure on Medical Officers of Health etc—included in Health and personal social services.

These items increase public expenditure as presented in this White Paper by:

£ million at 1974 Survey prices					
1973-74	1974-75	1975-76	1976-77	1977-78	1978-79
10.8	15.3	15.0	14.7	14.1	8.0

3. Current expenditure by the new Regional Water Authorities, formerly local authority expenditure in Other environmental services, is no longer classified as public expenditure. The amounts which have consequently been excluded from this White Paper are:

£ million at 1974 Survey prices					
1973-74	1974-75	1975-76	1976-77	1977-78	
85.5	88.1	92.5	96.4	101.4	

4. All expenditure by local authorities on roads and public transport is now included in the Roads and transport programme in the section headed Local transport. This has entailed a number of changes between programmes and within the Roads and transport Table (2.6) since Cmd 5519. The major changes are:

- a. Expenditure on transportation studies and on municipal bus operating deficits—from Other environmental services.
- b. Expenditure by Passenger Transport Executives to support the British Railways Board—from Support to nationalised transport industries to Local transport: Passenger transport subsidies.
- c. Capital investment by local authorities and Passenger Transport Executives on rail infrastructure is shown both in Nationalised industries' capital expenditure: Surface transport industries and in Local transport: Public transport investment.

IV Notes on Table 1.1—The use of resources 1973-1979

1. Table 1.1 shows possible increases between 1973 and 1979 in the total resources available to the nation and illustrates the way these increases may be divided between alternative uses. This note describes and defines the various items in the table. All the figures are in volume terms.

2. The first column of the table shows the use of the nation's resources in the year 1973. The figures are all in demand terms at 1970 factor cost prices. For indirect public expenditure the figures are estimates of the demand effects at factor cost flowing from transfers etc made in 1973, although these demand effects may not be reflected exactly in that year.

3. Section A shows the supply of resources available for domestic use. Line 1 shows three possible rates of growth in GDP. These reflect different assumptions about the rate of growth of productive potential.

4. Line 2 shows the balance of trade in goods and services and provides an estimate of the additional resources required to achieve a satisfactory balance of payments on current account. The additional resources are measured by the excess of the increase in exports of goods and services over the increase in imports, each valued at constant 1970 prices.

5. GDP less the balance of trade surplus (or, as in 1973, plus the deficit) constitutes the resources available for use at home, shown in line 3.

6. Section B is a summary of the competing claims on these resources. Line 1 shows private fixed investment (other than in housing) and stock-building.

7. Lines 2 and 3 a. to e. show nationalised industry investment and other public expenditure. The changes from 1973 to 1979 are consistent with the estimates shown elsewhere in this White Paper. Differences in rates of increase are due to differences in the periods over which the changes are measured and to differences between the conventions and definitions used in the planning and control of public expenditure and those used in the National Accounts; the latter are employed in this table.

8. Line 2 shows fixed investment plus stockbuilding by the nationalised industries.

9. Lines 3a. to c. show direct public expenditure on goods and services. Line 3a., public consumption, includes all current expenditure on goods and services and line 3b., public investment, includes both fixed investment and stock-building by public authorities and public corporations other than nationalised industries, included in line 2.

10. Line 3d. shows indirect public expenditure. This attempts to estimate the effect on private expenditure of various forms of payments such as national insurance benefits and other current grants, subsidies and debt interest. The resource implications of overseas transfers, however, have been retained in the balance of trade figures and those of capital grants in the investment figures of the sectors which receive them.

11. Line 4c. shows personal consumption, which consists in this table of consumers' expenditure plus private investment in dwellings. This item can then be split approximately into two components: publicly financed personal consumption (line 4b.) which is the same as indirect public expenditure (line 3d.), and privately financed consumption (line 4a.) which is a measure of personal consumption of goods and services purchased at factor cost out of wages and salaries, income from self-employment and profits.

12. All the figures in the table are in demand terms. The methods used for the calculation of demand effects are explained in chapter V of "Public Expenditure White Papers: Handbook on Methodology". The conventional national accounting presentation on which the table is based is fully explained in "National Accounts Statistics: Sources and Methods" (HMSO 1968), especially Chapters I to III.

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