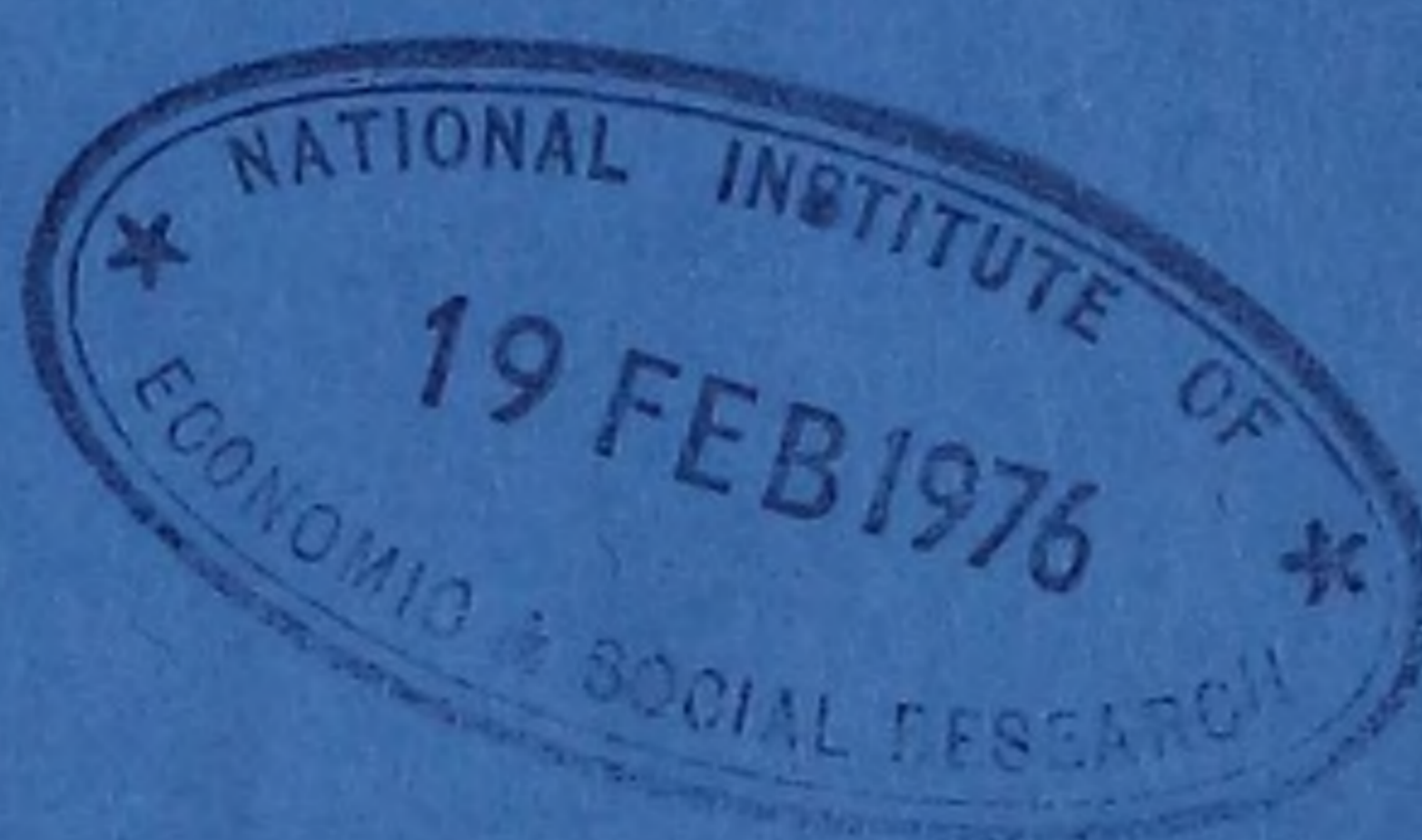


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Public Expenditure to 1979-80

*Presented to Parliament by the Chancellor of the Exchequer
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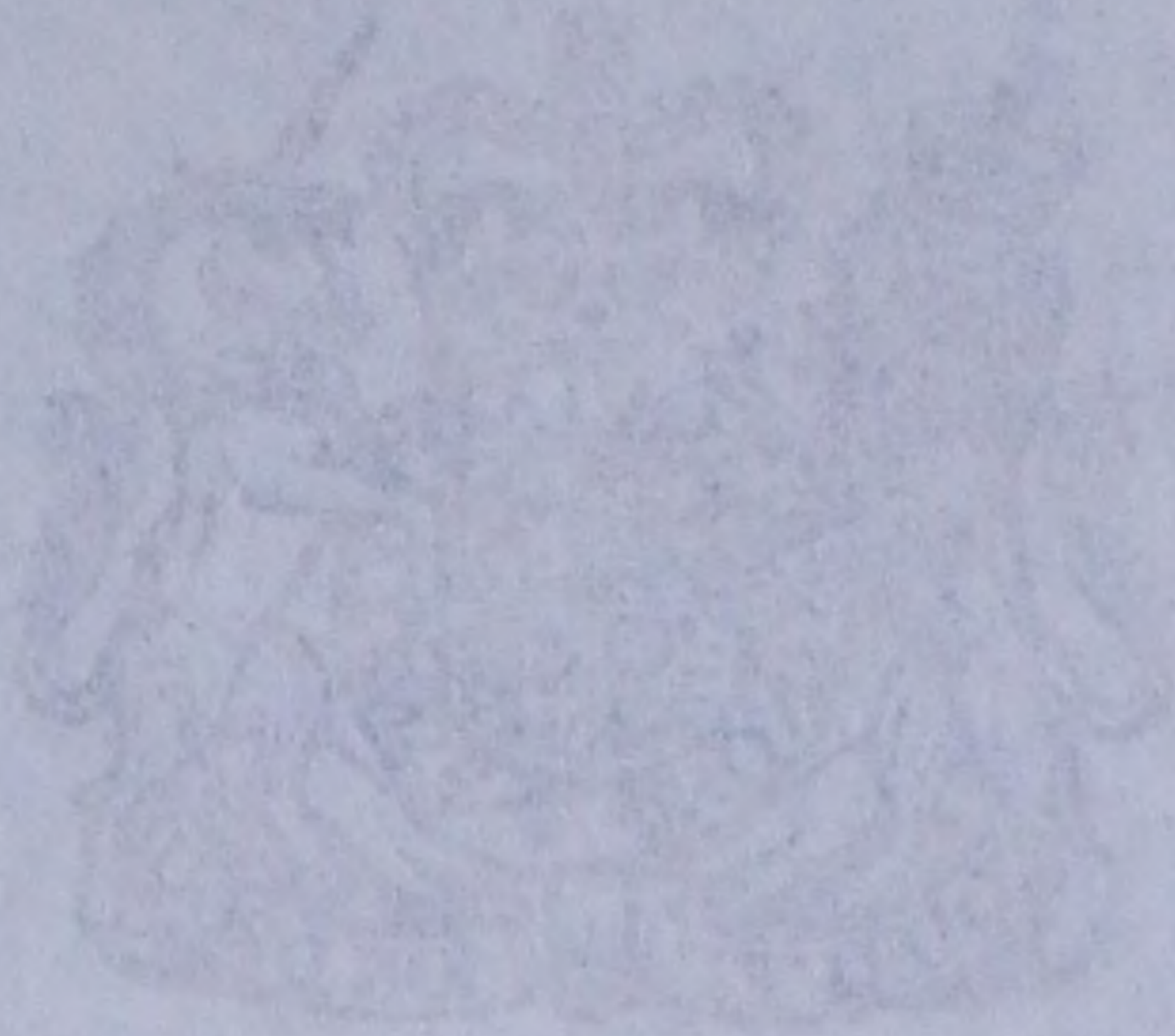
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Public Expenditure

1979-80

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PART 1

Public Expenditure—General Review

Introduction

1. This White Paper sets out the Government's plans for public expenditure until the end of the decade. In managing public expenditure two problems stand out. The first has been with us for many years. Popular expectations for improved public services and welfare programmes have not been matched by the growth in output—or by willingness to forgo improvements in private living standards in favour of those programmes. The oil crisis intensified this gap between expectations and available resources. The second problem is that of cost inflation, which has become acute in the last few years, and has added an extra dimension of difficulty.

2. In the last three years public expenditure has grown by nearly 20 per cent in volume, while output has risen by less than 2 per cent. The ratio of public expenditure to gross domestic product has risen from 50 per cent to 60 per cent. Fifteen years ago it was 42 per cent. The tax burden has also greatly increased. In 1975–76 a married man on average earnings is paying about a quarter of his earnings in income tax, compared with a tenth in 1960–61. At two-thirds average earnings, he is paying about a fifth compared with less than a twentieth.

3. Tax thresholds have fallen sharply in relation to average earnings, and people are being drawn into tax at income levels which are below social security benefit levels. The increase in the tax burden has fallen heavily on low wage earners. Those earning less than the average contribute over a quarter of the income tax yield. This cannot be made good simply by increasing the burden at the top: if no taxpayer were left with more than £5,000 per annum after tax, this would increase the yield by only about 6 per cent.

4. At a time of world recession rising public expenditure without matching tax increases has helped to sustain employment. The tax burden in recent years would have been much larger if the Government had not accepted a high public sector deficit for this reason. But as recovery proceeds we must progressively reduce our public sector deficit. When world demand picks up, more resources—capital as well as manpower—will be needed for exports and investment. We must ensure that they are available for that purpose. Unless we are prepared to see rising taxation reduce take home pay, these resources can be made available only if we keep public

expenditure at roughly the same level for several years. Changing the structural distribution of resources in this way is the only means of restoring and maintaining full employment.

5. In spite of slow economic growth compared with other countries, great advances have been made in the last thirty years in our public services. These are rightly regarded as an important complement to individual spending. But the satisfaction of demands for further improvements, however desirable, depends on our industries generating the output and overseas sales to make those improvements possible. North Sea oil will make an important difference to our affairs, but it will not be big enough by itself, and it will not be fully developed soon enough, to solve the problem of resources over the next few years. For that we must improve the productivity of other industries.

6. The plans in this White Paper are therefore intended broadly to stabilise the level of resources taken by expenditure programmes after 1976-77. If this is achieved public expenditure will fall as a proportion of national output from its present exceptionally high level. The tax burden will still increase, but by a manageable amount. Meanwhile, within total public expenditure, a higher priority is being given to expenditure which is designed to maintain or improve our industrial capability, and to give us a better chance of success as the economy picks up.

7. The solution of the second problem—that of cost inflation—lies mainly outside this White Paper. It must depend essentially on success in the general fight against inflation, with continuing good sense in pay settlements at the heart of this struggle for economic survival. But, in the field of public expenditure, the attack on inflation will be buttressed by the extension of cash control in 1976-77 over a wide range of public spending. This new approach, which has been welcomed by the Expenditure Committee in a recent report*, is further described in paragraphs 14-15 below.

8. Controlling the growth of expenditure is not solely a matter of limiting the cash outlay in a particular year. It also arises, as the Expenditure Committee have pointed out in their latest report**, in making and holding to medium-term plans. Programmes are not immutable, and must be open to revision in either direction as circumstances require. The problem is to find a way of allowing this flexibility to respond to new events, without at the same time allowing ever-growing expectations for better services to pre-empt more and more resources and to require higher and higher taxation. Technical methods of expenditure control cannot do this by themselves; they only provide the framework within which essentially political decisions are taken and implemented. But the present arrangements for planning expenditure, which have been continuously developed over the past decade, are capable of further adaptation to help in contending with this problem.

* Ninth Report, Session 1974-75.

** First Report, Session 1975-76.

The present review

9. The Government published in January 1975 the outcome of their first review of public expenditure plans (Cmnd. 5879). In doing so they made it clear that there were many uncertainties about the amount of resources that might become available, and that they would reappraise the programmes whenever necessary. The Chancellor of the Exchequer subsequently announced in his Budget that, in order to reduce the expected borrowing requirement in 1976-77, reductions would be made in the planned level of a number of programmes in that year. Since then, the Government have been comprehensively reviewing their plans for subsequent years. The rest of this Part of the White Paper gives a brief account of the changes since Cmnd 5879 in 1975-76 and 1976-77, and then describes the broad effect of the revisions to expenditure plans for the later years. Fuller information about the effect of the review on particular programmes is given in Part 2.

10. Not all of this spending is in the hands of central government. Some is carried out by the nationalised industries, and a larger part (around 27 per cent) by local authorities. Their co-operation in maintaining a tight control on their expenditure will be essential if this national strategy is to be achieved.

1975-76 and 1976-77

11. The programmes for the current financial year and for 1976-77 are higher than in Cmnd 5879 by about £1,600 million and £500 million*. In both years the greater part of the increase is due, in one way or another, to help to industry and other expenditure related to the recession.

12. In 1975-76 the main increases are in the field of industry and employment. They include extended measures of industrial support of various kinds, provision for the British National Oil Corporation (BNOC), more industrial training, and exceptionally heavy demands for financing nationalised industry coal and steel stocks at a time of recession. There have been higher payments of unemployment benefit and supplementary benefit. Payments to the food and agricultural industries have also been higher than forecast in Cmnd 5879: most of the increase has taken the form of subsidies on food imports, much of which is paid under the Common Agricultural Policy and offset by receipts from the Budget of the European Communities.

13. The reductions imposed in the last Budget on planned expenditure in 1976-77, equivalent to about £1,100 million at 1975 Survey prices, affected capital and current expenditure on a wide range of services. These reductions have been offset by the additional expenditure in that year announced in the White Paper "The Attack on Inflation" (Cmnd 6151); the cost of the employment measures announced in September; provision for BNOC, for the National Enterprise Board and for other industrial expenditure; and higher social security benefits (mainly on account of unemployment). Outside the ordinary public expenditure programmes, in both years the high borrowing requirements have greatly increased the burden of debt interest.

* All figures are at 1975 Survey prices unless otherwise stated.

Cash Control

14. Public expenditure programmes cannot proceed regardless of the movements in their cash costs. Following a greatly excessive rise in tender prices and signs of overload on the building industry, cash limits were introduced on the main building programmes for the public services, other than houses and roads, in 1974-75 and 1975-76. In July 1975 the Government announced that work was in hand to bring about the extensive use of cash limits in 1976-77, on those expenditures where such limits can impose greater financial discipline and precision than the present system.

15. In 1976-77 cash control will be applied to about three-quarters of central Government voted expenditure (other than social security cash payments). The main exceptions will be those services where, for statutory or other reasons, the rate of spending cannot be determined by the Government in the short term: this is why social security payments are being excluded, as well as, for example, expenditure on family practitioner services, agricultural support and some forms of regional assistance. Cash limits on the rate support grant to local authorities were announced in November; and cash control will also apply to most local authority capital programmes, but not to investment in new dwellings. Arrangements are being made, in consultation with the nationalised industries, for applying cash limits to their financial requirements. Details of the expenditure to be covered, and of the cash limits for 1976-77, will be published around the beginning of the financial year.

1977-78 to 1979-80

16. The programmes for 1977-78 onwards in Cmnd 5879 have been substantially revised. In this the Government's main aim has been:

- first, to stabilise the total level of spending on the expenditure programmes for the time being, so that enough resources are available for increased exports and investment;
- second, to give priority to expenditure for improving industrial productivity and efficiency, and hence to increase the rate of growth of resources.

17. The programmes in Cmnd 5879 provided for some continuing growth of expenditure during this period. In order to stabilise the level of spending, the total size of those programmes in that White Paper has been scaled down as described in paragraphs 26-33 below. As soon as a sound economic base can be achieved, some growth in spending should again be possible. But at least during the next 3 years or so, no overall growth in public expenditure (excluding debt interest) is planned beyond the level now envisaged for 1976-77. This means that in all programmes, including the social programmes, very strict tests of priority have had to be applied. The Government's purpose in making these hard decisions was to ensure that the increase in national output in the next three or four years is not appropriated for use in the public sector, but instead is available to put the balance of payments right, to provide for increased productive investment, and to allow a modest rate of increase in private consumption. Holding public expenditure and public service manpower broadly steady

while output increases will permit that shift of resources which it is their strategic aim to bring about. The level at which spending on the programmes is being stabilised is however still over 10 per cent higher than in 1973–74.

18. On the second point, the Government's industrial policies are intended to produce a faster long-term growth of output. These policies will be supported by substantially higher expenditure in the trade, industry and employment programme, which now includes provision for some expenditure which previously was a charge on the contingency reserve, including that of the National Enterprise Board and the Scottish and Welsh Development Agencies. Including these items, this programme is now planned to be nearly £500 million higher in 1978–79 than the programme in Cmnd 5879. Much of this expenditure will assist industrial investment; it is essential for the success of the Government's industrial policies that investment should soon recover from the recession and then continue at a higher level. But if investment, whether by private or public enterprise, is financed or supported by public funds, the Government will expect that the operations concerned should be efficient and competitive. This is a main objective of the Government's industrial policies including the expansion of industrial training.

Public expenditure and resources

19. Table 1.1 on page 6 sets out public expenditure in terms of its demand on real resources, and relates it to the total resources likely to be available and the other claims on them. This relationship is also illustrated in the charts on page 7. The form of presentation was explained in some detail in Cmnd 5879.

20. Economic projections over as long a period as five years are bound to be very uncertain, both in the assessment of the growth of output and in that of the prior claims placed on that output by investment and the balance of trade. The reductions in public expenditure programmes in the later years will also favourably affect the estimate of output growth and influence the prospects for the prior claims; an approximate allowance for this is incorporated in the table. In order to reflect all these uncertainties, the table shows three alternative projections.

21. The central case, in column II of the table, shows an average rate of growth of the gross domestic product (GDP) between 1974 and 1979 of just under $3\frac{1}{2}$ per cent per annum. This is also the case illustrated in the charts. The other two cases, in columns I and III, illustrate respectively a lower and a higher average growth of output over the period. The higher of these alternatives illustrates the possibility that GDP may rise faster as a result of the industrial measures already described. These measures should bring about a faster long-term growth of productive potential, thus eventually yielding more resources for both public and private consumption. They will, however, take time to have effect. The implications of a rather faster rate of GDP growth during the period to 1979—at just over $3\frac{3}{4}$ per cent per annum—are set out in column III of the table, but it would be imprudent, in planning the public use of resources, to count on such an improvement until there is clear evidence that it is being achieved.

THE GROWTH AND USE OF RESOURCES 1974-1979 ⁽¹⁾

TABLE 1.1

in demand terms at 1970 factor cost prices

| | Year 1974 £m. | Average annual increase 1974-79 | | | | | |
|--|-------------------------|---------------------------------|------|---------|------|----------|------|
| | | Case I | | Case II | | Case III | |
| | | £m. | % | £m. | % | £m. | % |
| A. SUPPLY OF RESOURCES | | | | | | | |
| 1. Gross domestic product (GDP) | 47,200 | 1,200 | 2.4 | 1,720 | 3.4 | 1,950 | 3.8 |
| 2. Net flow of resources into (+) or out of (-) balance of trade in goods and services | -200 | 500 | | 560 | | 600 | |
| 3. Available for domestic use (line 1 minus line 2) ... | 47,400 | 700 | 1.4 | 1,160 | 2.3 | 1,350 | 2.7 |
| B. DOMESTIC USES OF RESOURCES | | | | | | | |
| 1. Investment ⁽²⁾ | | | | | | | |
| a. Private investment | 4,700 | 350 | 6.5 | 490 | 8.7 | 550 | 9.6 |
| b. Nationalised industries' investment | 1,300 | 50 | 4.0 | 50 | 4.0 | 50 | 4.0 |
| 2. Available for other public expenditure and private consumption (line A3 less lines B1a and B1b) ... | 41,400 | 300 | 0.7 | 620 | 1.4 | 750 | 1.7 |
| C. USES OF RESOURCES FOR OTHER PUBLIC EXPENDITURE AND PRIVATE CONSUMPTION | | | | | | | |
| 1. Public expenditure ⁽³⁾ | | | | | | | |
| a. Public consumption | 9,500 | 130 | 1.2 | 130 | 1.2 | 130 | 1.2 |
| b. Other public investment | 2,300 | -70 | -3.5 | -70 | -3.5 | -70 | -3.5 |
| c. Total direct public expenditure (a + b) | 11,800 | 60 | 0.5 | 60 | 0.5 | 60 | 0.5 |
| d. Indirect public expenditure (transfers etc.) ... | 6,700 | 130 | 1.8 | 130 | 1.8 | 130 | 1.8 |
| e. Total public expenditure (c + d) | 18,500 | 190 | 1.0 | 190 | 1.0 | 190 | 1.0 |
| 2. Personal consumption: | | | | | | | |
| a. Privately financed personal consumption (line B2 minus line C1e) | 22,900 | 110 | 0.5 | 430 | 1.8 | 560 | 2.3 |
| b. Publicly financed personal consumption (indirect public expenditure, line C1d) | 6,700 | 130 | 1.8 | 130 | 1.8 | 130 | 1.8 |
| c. Total personal consumption (C2a + C2b) ... | 29,600 | 240 | 0.8 | 560 | 1.8 | 690 | 2.2 |

(1) For a technical explanation of this Table, see Part 5, Section IV.

(2) Private and nationalised industry investment comprise fixed investment and stockbuilding. Private investment excludes investment in housing, which is included in personal consumption.

(3) Excluding nationalised industry investment. The coverage of the public expenditure figures given in section C1 of this Table differs in some respects from that used generally in this White Paper, for the reasons explained in the notes in Part 5, Section IV.

CHART 1: USE OF RESOURCES IN 1974

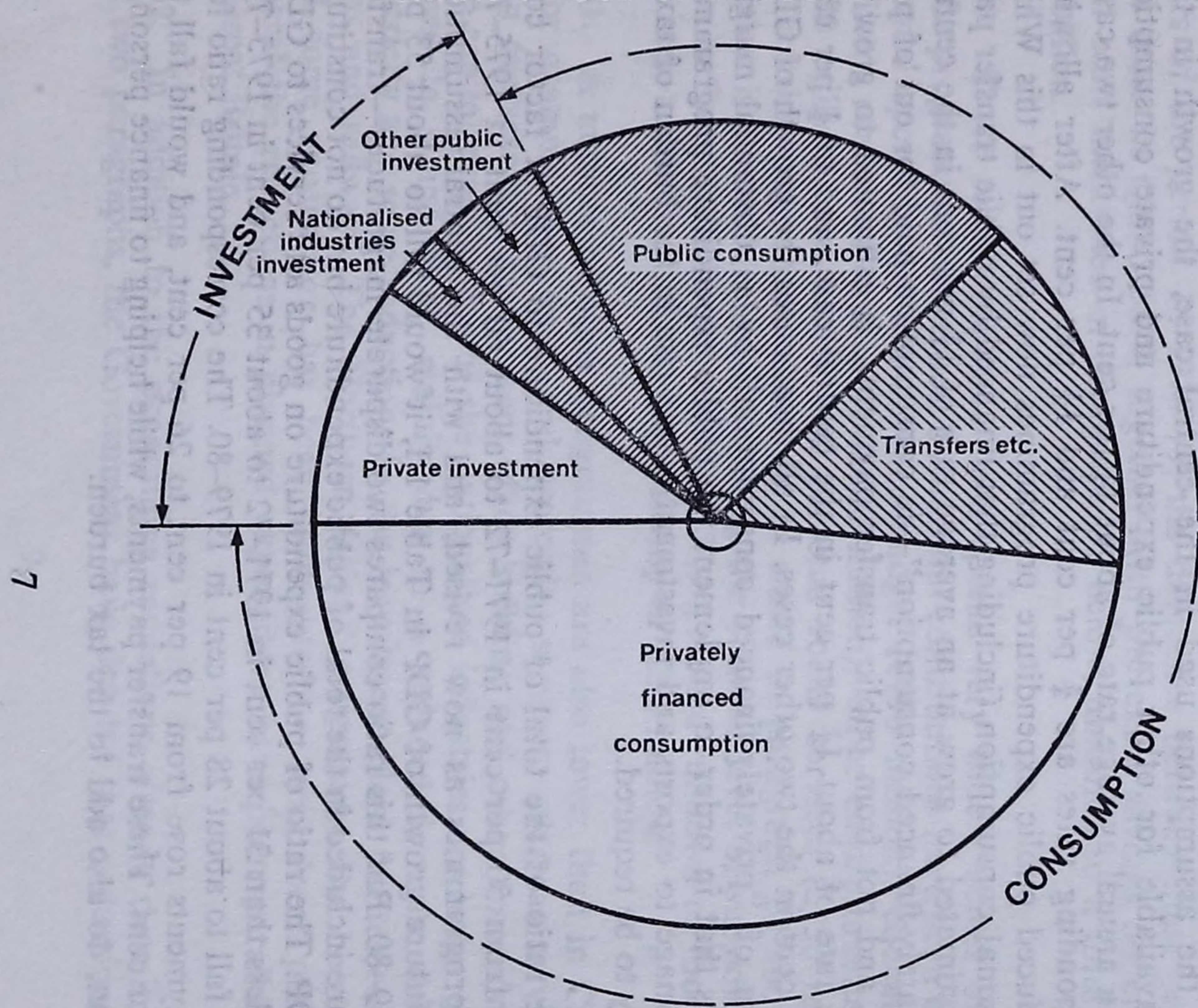
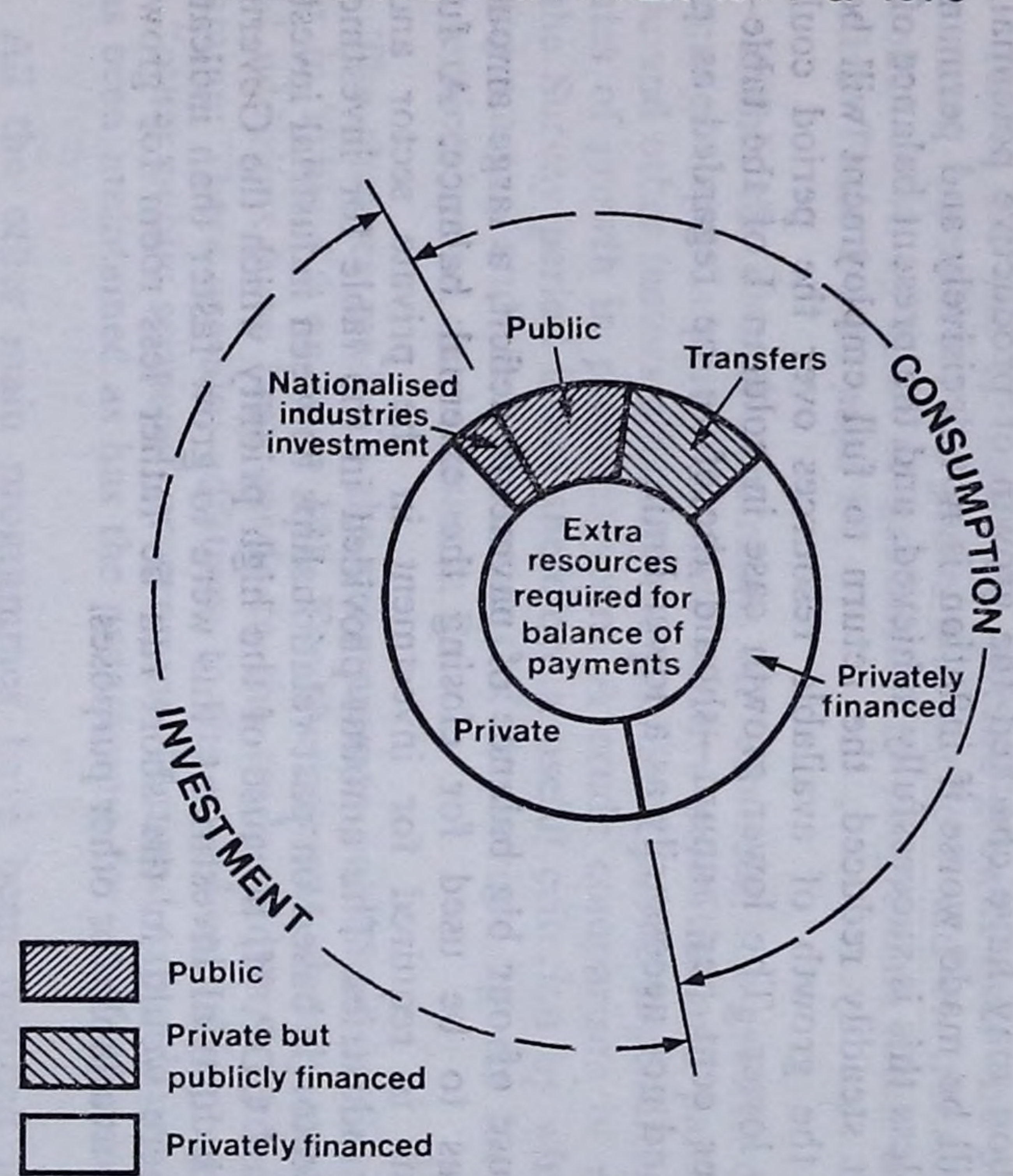


CHART 2: USE OF THE INCREASE IN RESOURCES BETWEEN 1974 & 1979



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).

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. It is not possible in this Chart to show the small decline over the period in other public investment.

22. But there are also greater risks on the downward side. The serious rate of inflation may have checked the growth of productive potential, and this effect will be made worse if inflation is not decisively and permanently reduced. Unless this is successfully achieved, and the present balance of payments deficit steadily reduced, the return to full employment will be impeded, and the growth of available resources over the period could be substantially lower. The lower growth case in column I of the table—just under $2\frac{1}{2}$ per cent per annum—should therefore be regarded as purely illustrative and not necessarily as a lower limit.

23. Because of our big balance of payments deficit, a large amount of resources has to be used for closing the external balance. A further large amount is required for investment in the private sector and the nationalised industries. The amount provided in the table for investment in the private sector is based on past relationships between industrial investment and growth of GDP. If, because of the high priority which the Government is giving to industrial investment, this were to grow faster than indicated in the table, there would in the short run be rather less room for growth in the resources available for other purposes.

24. On the assumptions used in the central case, the growth in the resources available for other public expenditure and private consumption comes to an annual average rate of about $1\frac{1}{2}$ per cent. In the other two cases the corresponding rates are $\frac{3}{4}$ per cent and $1\frac{3}{4}$ per cent. After allowing for the reduced public expenditure programmes now set out in this White Paper, personal consumption (including that financed by public transfer payments) is estimated to grow at an average rate of $1\frac{3}{4}$ per cent in the central case. "Privately-financed consumption"—ie consumption paid for out of pay and profits and not from public transfer payments, is estimated to grow at an average rate of about $1\frac{3}{4}$ per cent in the central case, and at $\frac{1}{2}$ per cent and $2\frac{1}{4}$ per cent in the two other cases. In all three cases the growth of GDP exceeds that of "privately-financed consumption" by a substantial margin. This implies that in order to implement the public expenditure programmes without damage to exports and investment, some rise in the burden of taxation is likely to be required.

25. The ratio of the total of public expenditure to GDP at factor cost has grown from 50 per cent in 1971–72 to about 60 per cent in 1975–76. With the programmes as now revised, and with the central assumption about the future growth of GDP in Table 1.1, it would fall to about 53 per cent in 1979–80. But this ratio compares two disparate magnitudes—transfer payments are included in the total of public expenditure but do not constitute part of GDP. The ratio of public expenditure on goods and services to GDP rose from less than 31 per cent in 1971–72 to about 35 per cent in 1975–76, and would fall to about 28 per cent in 1979–80. The corresponding ratio for transfer payments rose from 19 per cent to 26 per cent, and would fall to about 24 per cent. These transfer payments, while helping to finance personal consumption, do also add to the tax burden.

Public expenditure programmes

26. Tables 1.2 and 1.3 show the overall growth over the period of the programmed expenditure on goods and services and on transfer payments, etc, broken down by main programme. The programme totals are also summarised in Table 1.4 on page 14.

27. Within the overall constraints on resources, the growth of individual programmes depends partly on their relative priorities and partly on demographic and other factors affecting the profile of public expenditure, including the rates of growth in previous years. A crude comparison of growth rates over the Survey period is not therefore a useful criterion by which to judge the programmes, and the implications of the revised figures for the various public services are set out in detail in Part 2.

28. The changes made in the programmes published in Cmnd 5879 are set out in Table 4.6 on page 141. For the reasons already explained, substantial additions have been made to the trade, industry and employment programme. There are also additions to the social security programme and to the "other public services" programme. Planned expenditure on overseas aid has been maintained as has the programme for building new houses.

29. All the other main programmes have been reduced in the later years of the period. In 1978-79, the difference between these programmes and those in Cmnd 5879, together with the extra savings on civil service staff costs mentioned in paragraph 32 below, amounts to a total saving of £3 billion.

30. These reductions have been spread very widely across expenditure in the programmes concerned. Substantial contributions have been made from planned spending on the defence budget (£190 million), education (£620 million), roads and transport (£500 million), other environmental services (£220 million), and health and personal social services (£150 million). In the housing programme although, as stated in paragraph 28 above, no reduction is planned in house building, the planned level of subsidies is lower than in Cmnd 5879 by £310 million. The planned rundown of food subsidies has been accelerated, producing a saving of £290 million.

31. A number of other programmes are also lower than in Cmnd 5879—for example, law, order and protective services; overseas services other than overseas aid; government office building and other common services. The capital programmes of the nationalised industries are lower than those shown in Cmnd 5879, mainly due to a reduced forecast demand for electricity and some reductions in the investment plans for telecommunications and railways. The Northern Ireland programme has been reduced, and some expenditure has been reallocated to meet local priorities; in general the reductions in planned expenditure have been parallel to those in Great Britain.

32. In addition to the programme reductions already described in the last two paragraphs, the Government have decided that reductions must be

Public Expenditure on Goods and Services
Investment and Consumption
1974-75, 1976-77 and 1979-80

TABLE 1.2

£ million at 1975 Survey prices

| | 1974-75 | 1976-77 | 1979-80 |
|--|---------|---------|---------|
| 1. Defence... .. | 4,318 | 4,571 | 4,527 |
| 2. Overseas aid and other overseas services | 200 | 220 | 216 |
| 3. Agriculture, fisheries and forestry | 138 | 145 | 143 |
| 4. Trade, industry and employment | 472 | 518 | 519 |
| 5. Nationalised industries' capital expenditure | 2,813 | 3,154 | 3,040 |
| 6. Roads and transport | 1,555 | 1,573 | 1,348 |
| 7. Housing | 2,171 | 2,000 | 1,804 |
| 8. Other environmental services | 2,033 | 2,011 | 1,940 |
| 9. Law, order and protective services | 1,325 | 1,450 | 1,417 |
| 10. Education and libraries, science and arts | 5,010 | 5,069 | 4,827 |
| 11. Health and personal social services | 5,020 | 5,292 | 5,522 |
| 12. Social security | 373 | 424 | 393 |
| 13. Other public services | 601 | 661 | 663 |
| 14. Common services | 606 | 678 | 739 |
| 15. Northern Ireland | 602 | 723 | 676 |
| Ⓜ Civil service staff costs | | | -130* |
| Total** | 27,237 | 28,489 | 27,644 |
| Average annual percentage increase to 1979-80 | 0.3 | -1.0 | |

*Consequential of the £140 million saving in 1978-79 referred to in paragraph 32.

**Excluding any use of the contingency reserve, and before making the general deduction for shortfall.

made in civil service manpower. They intend to save an additional £140 million in 1978-79 by reductions in planned expenditure on staff and related administrative costs. The overall reduction, not yet attributed to programmes, has been included in the summary expenditure tables in this White Paper.

33. The figures for the expenditure programmes in this White Paper indicate present plans for the development of the various services. In many cases they will necessarily be affected by developments in the economy as a whole, or in the circumstances in which particular services are provided and expenditure incurred. While the Government recognise the need for spending authorities to plan ahead on as firm a base as practicable, the uncertainties in the prospects for the economy and for world trade and payments rule out a firm commitment to expenditure plans. The Government will therefore be ready to modify and adapt these plans as the general course of the economy and the most important needs of the community require.

Debt interest

34. As in previous White Papers debt interest is shown separately from the figures of current and capital expenditure on spending programmes. It is a claim which has to be met before money or resources can be allocated to programmes. Forward levels of debt interest at constant prices

Public Transfer Payments
Grants, Subsidies, Loans, Interest
1974-75, 1976-77 and 1979-80

TABLE 1.3

£ million at 1975 Survey prices

| | 1974-75 | 1976-77 | 1979-80 |
|---|---------------|---------------|---------------|
| 1. Defence... | 13 | 15 | 14 |
| 2. Overseas aid and other overseas services ... | 598 | 662 | 869 |
| 3. Agriculture, fisheries and forestry ... | 1,330 | 842 | 469 |
| 4. Trade, industry and employment ... | 2,393 | 1,754 | 1,595 |
| 5. Nationalised industries' capital expenditure ... | 9 | -104 | -133 |
| 6. Roads and transport ... | 626 | 620 | 504 |
| 7. Housing ... | 2,258 | 2,097 | 2,286 |
| 8. Other environmental services ... | 55 | 34 | 41 |
| 9. Law, order and protective services ... | 14 | 20 | 21 |
| 10. Education and libraries, science and arts ... | 1,094 | 1,165 | 1,168 |
| 11. Health and personal social services ... | 36 | 25 | 26 |
| 12. Social security ... | 8,209 | 9,578 | 9,570 |
| 13. Other public services ... | 27 | 25 | 16 |
| 14. Common services ... | — | — | — |
| 15. Northern Ireland ... | 598 | 613 | 582 |
| Total programmes* ... | 17,260 | 17,346 | 17,028 |
| Debt interest ... | 4,757 | 6,200 | 7,500 |
| Total ... | 22,017 | 23,546 | 24,528 |
| Average annual percentage increase to 1979-80 (excluding debt interest and investment grants)... | -0.2 | -0.6 | |

* Excluding any use of the contingency reserve, and before making the general deduction for shortfall.

are difficult to estimate and, particularly for the later years, they are subject to much greater uncertainty than estimates of other categories of public expenditure. A fuller explanation of the provision for debt interest is given in Chapter 17 of Part 2.

35. The estimates of debt interest in this White Paper are considerably higher than those in Cmnd 5879, by amounts rising to over £3 billion by 1978-79. Most of this increase is due to the recent large growth in the borrowing requirement and to the effect of the lower rate of inflation now assumed. The forecast increase in debt interest places a relatively low demand on resources, and the reductions in spending programmes will thus have a far more marked effect on demand than the higher debt interest.

Nationalised industry subsidies

36. Very large sums have been paid as compensation for price restraint in the last two years to the electricity and gas industries and to the Post Office. In 1974-75 the cost was about £630 million at outturn prices. Continuation of these unselective subsidies, involving a heavy financial burden and corresponding additions to the borrowing requirement, would bring an unwelcome stimulus to consumer demand for the industries' products which, if not checked, would require substantial extra capital investment. As already announced, the subsidies will be phased out

completely in the course of the current year. The Government's subsidy to the rail passenger network will continue for social reasons but will be held constant in real terms. Some subsidies will continue to be paid to the coal industry, mainly for redundant mineworkers and pensioners, but, in general, the industry is expected to operate commercially from now on. In future, the general aim will be for the nationalised industries to finance more of their capital expenditure from earnings, and to reduce their demands for borrowing and for grants.

Local authorities

37. It has become increasingly clear that the substantial rate of expansion of recent years in local authority manpower and in local spending could not continue. The Government have not shared the view that the necessary constraint will be obtained only if the central control which is exercised over capital expenditure is extended to current expenditure also. Instead they have sought to promote improved understanding and greater co-operation between central and local government. They have also asked local authorities to undertake a radical examination of their present programmes and future plans.

38. The need to hold the rate of increase in current expenditure in 1975-76 to about half that of the previous year was reflected in detailed guidance which demonstrated the Government's recognition of the effects on individual services of limiting increases to inescapable commitments. The guidance was given after the rate support grant settlements at the end of 1974; and present estimates confirm that in general local authorities have responded to national needs and to the Government's requests.

39. The support of the local authority members of the Consultative Council on Local Government Finance, which was established in May 1975, has been of great value in developing recognition of the need for a fundamentally changed attitude towards the level of expenditure. This will be more than ever necessary in the immediate future, for no increase in the total of current expenditure can be afforded over the next few years. Any increases in individual services, whether for demographic or other reasons, must be offset by reduced levels of provision in other services.

40. The rate support grant settlements for 1976-77 which were announced in November 1975 were made on this basis; and the total amount of grant for the year ahead has been subjected to a pre-determined cash limit. The quarterly statistics of local authority manpower in England and Wales which have been collected, and scrutinised jointly by central and local government, since April 1975, and parallel action which is proposed in Scotland, will enable a close watch to be maintained on the effect on numbers employed in individual services of the overall standstill in expenditure.

41. The plans outlined in this White Paper for the development of individual local authority services in the period beyond 1976-77 have not yet been discussed in the Consultative Council on Local Government Finance or with the Convention of Scottish Local Authorities. In the light of such consultations, the Government will consider giving further guidance to local authorities on the implications for their services and their manpower requirements. The Government hopes that these consultations will lead to more effective collaboration in future in the overall planning of local expenditure in the medium-term. The fact that the Government does not control the current expenditure of local authorities underlines the need for closer co-operation between central and local Government. It does not detract from the need to present a full picture of the intended development of the important sector of the public services which they administer.

The individual programmes

42. Part 2 of this White Paper explains the revised programme figures which have come out of the present review and the main changes since Cmnd 5879. It also contains separate chapters on the provision for the contingency reserve and shortfall, and for debt interest. Part 3 contains special analyses of the expenditure which falls within the responsibility of the Secretaries of State for Scotland and Wales, and of local authority expenditure. Part 4 contains further statistical analyses including a summary of the comparison between the figures in this White Paper and those in Cmnd 5879.

PUBLIC EXPENDITURE BY PROGRAMME IN VOLUME TERMS : 1970-71 to 1979-80

TABLE 1.4

£ million at 1975 Survey prices

| | 1970-71 | 1971-72 | 1972-73 | 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| 1. Defence | 4,531 | 4,593 | 4,494 | 4,426 | 4,331 | 4,538 | 4,586 | 4,573 | 4,541 | 4,541 |
| 2. Overseas aid and other overseas services | 598 | 646 | 788 | 825 | 798 | 734 | 882 | 953 | 1,027 | 1,085 |
| 3. Agriculture, fisheries and forestry | 632 | 718 | 635 | 751 | 1,468 | 1,438 | 987 | 840 | 641 | 612 |
| 4. Trade, industry and employment: | | | | | | | | | | |
| Investment grants | 808 | 635 | 384 | 233 | 102 | 63 | 23 | 5 | 2 | 1 |
| Other | 1,080 | 1,234 | 1,755 | 2,538 | 2,763 | 2,618 | 2,249 | 2,085 | 2,121 | 2,113 |
| 5. Nationalised industries' capital expenditure | 2,669 | 2,554 | 2,519 | 2,281 | 2,822 | 3,358 | 3,050 | 2,647 | 2,789 | 2,907 |
| 6. Roads and transport | 1,790 | 1,727 | 1,848 | 1,964 | 2,181 | 2,316 | 2,193 | 2,032 | 1,860 | 1,852 |
| 7. Housing | 2,827 | 2,492 | 2,555 | 3,330 | 4,429 | 4,018 | 4,097 | 4,064 | 4,014 | 4,090 |
| 8. Other environmental services ... | 1,855 | 1,888 | 2,014 | 2,156 | 2,088 | 2,217 | 2,045 | 2,062 | 1,991 | 1,981 |
| 9. Law, order and protective services | 1,093 | 1,175 | 1,189 | 1,260 | 1,339 | 1,444 | 1,470 | 1,462 | 1,439 | 1,438 |
| 10. Education and libraries, science and arts | 5,073 | 5,434 | 5,799 | 6,081 | 6,104 | 6,164 | 6,234 | 6,141 | 6,024 | 5,995 |
| 11. Health and personal social services | 4,235 | 4,405 | 4,701 | 4,934 | 5,056 | 5,285 | 5,317 | 5,384 | 5,465 | 5,548 |
| 12. Social security | 7,200 | 7,646 | 8,078 | 8,080 | 8,582 | 9,463 | 10,002 | 10,014 | 9,964 | 9,963 |
| 13. Other public services | 520 | 560 | 757 | 587 | 628 | 682 | 686 | 686 | 675 | 679 |
| 14. Common services | 545 | 582 | 599 | 606 | 606 | 713 | 678 | 697 | 716 | 739 |
| 15. Northern Ireland | 767 | 802 | 896 | 1,015 | 1,200 | 1,321 | 1,336 | 1,306 | 1,263 | 1,258 |
| <i>Civil Service staff costs</i> | | | | | | | | -50 | -140 | -130 |
| Total programmes | 36,223 | 37,091 | 39,011 | 41,067 | 44,497 | 46,372 | 45,835 | 44,901 | 44,392 | 44,672 |
| Debt interest | 4,142 | 4,031 | 4,048 | 4,764 | 4,757 | 5,000 | 6,200 | 7,000 | 7,500 | 7,500 |
| Contingency reserve | | | | | | | 700 | 900 | 1,200 | 1,400 |
| Shortfall | | | | | | -200 | -250 | -250 | -250 | -250 |
| Total | 40,365 | 41,122 | 43,059 | 45,831 | 49,254 | 51,172 | 52,485 | 52,551 | 52,842 | 53,322 |

PART 2

Public Expenditure—The Individual Programmes

INTRODUCTION

1. The usual format of separate chapters on each of the main programmes has been continued this year. Each chapter starts with a table analysing the figures by programme and sub-programme and including a comparison between the figures in this White Paper and those in the last White Paper (Cmnd 5879).

2. A summary analysis of the changes is provided in Table 4.6. It will be seen that a distinction is drawn between changes that have been announced before publication of this White Paper and other changes. The latter category includes decisions incorporated in this White Paper which have not been previously announced.

3. The figures in Cmnd 5879 were at 1974 Survey Prices. For the purpose of comparison in this White Paper the figures in Cmnd 5879 have been revalued to 1975 Survey prices (see the glossary in Part 5 for a definition of *revaluation*).

1. DEFENCE

TABLE 2.1

| | 1970-71 | 1971-72 | 1972-73 |
|---|----------------|----------------|----------------|
| Defence Budget | 4,577.1 | 4,631.3 | 4,539.6 |
| National accounts adjustments ⁽¹⁾ | -46.0 | -38.0 | -45.2 |
| Total | 4,531.1 | 4,593.3 | 4,494.4 |
| Changes from Cmnd 5879 revalued: | | | |
| Defence Budget | | | |
| Cmnd 5879 revalued | | | |
| National accounts adjustments | | | |
| Cmnd 5879 revalued | | | |

(¹) Now mainly in respect of the capital requirements of the Royal Ordnance Factories.

1. The Defence Budget covers all expenditure by the Ministry of Defence as well as expenditure by the PSA on works for defence. It includes provision for the costs of peacekeeping in Northern Ireland. The Government's defence policy objectives will be fully described in the 1976 Statement on the Defence Estimates, to be published shortly.

2. The Defence Budget savings in the table above are £177 million in 1977-78 and £193 million in 1978-79.

£ million at 1975 Survey prices

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|------------------|------------------|------------------|-----------------|-----------------|-------------|-------------|
| 4,462.3 -36.2 | 4,349.9 -19.4 | 4,547.6 -10.1 | 4,566.0 20.0 | 4,548.0 24.9 | 4,530 11 | 4,530 11 |
| 4,426.1 | 4,330.5 | 4,537.5 | 4,586.0 | 4,572.9 | 4,541 | 4,541 |
| | -25.7 | — | -136.3 | -176.9 | -193 | |
| | 4,375.6 | 4,547.6 | 4,702.3 | 4,724.9 | 4,723 | |
| | +10.9 | -8.9 | +2.2 | +3.5 | -5 | |
| | -30.3 | -1.2 | 17.8 | 21.4 | 16 | |

3. These savings, together with the £136 million cut for 1976-77 made as part of the reductions in public expenditure announced in the April 1975 Budget Statement, will be made by reductions in support, not front-line. They will not impinge on the essential elements of our contribution to NATO. They reflect the new defence agreement with Hong Kong, whereby the Hong Kong Government make an increased contribution to the garrison costs from 1976-77. The figures allow for substantial reductions in civilian manpower in addition to those resulting from the Defence Review.

2. OVERSEAS AID AND

TABLE 2.2

| | 1970-71 | 1971-72 | 1972-73 |
|--|---------|---------|---------|
| Overseas aid ⁽¹⁾ | | | |
| (a) Aid programme | 355.9 | 392.6 | 412.4 |
| (b) Other net investment by the Commonwealth Development Corporation (CDC) | -5.0 | 4.4 | 3.4 |
| (c) Total | 350.9 | 397.0 | 415.8 |
| Overseas aid administration | 7.6 | 7.8 | 7.9 |
| Overseas representation | 118.8 | 120.2 | 121.2 |
| Overseas information | 51.9 | 51.5 | 52.5 |
| Other external relations | 55.0 | 57.8 | 61.9 |
| Military aid | 13.4 | 11.7 | 8.8 |
| Total | 246.7 | 249.0 | 252.3 |
| Contributions to the European Communities etc (net) | — | — | 54.6 |
| Sterling Area guarantees | — | — | 65.0 |
| Special assistance to the Crown Agents | — | — | — |
| Total | 597.6 | 646.0 | 787.7 |
| Changes from Cmnd 5879 revalued | | | |
| Cmnd 5879 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 Aid

1. The Aid Programme has been maintained from 1977-78 onwards at the levels planned in Cmnd 5879. The figures for overseas aid in Table 2.2 are net of amortisation of previous loans. This is the basis on which overseas aid counts towards the internationally accepted aid targets that at least 1 per cent of the gross national product (GNP) be devoted to total financial flows to the developing countries, and that at least 0.7 per cent of GNP be devoted to official development assistance. HMG has accepted both targets in principle while making it clear that we cannot set a date by which we shall reach the 0.7 per cent target: our progress towards it must be determined by the pace of our own economic recovery and by the other calls on our resources. In 1974 financial flows reached 1.20 per cent of GNP, and official development assistance reached 0.38 per cent.

2. 1975 saw the end of the commodity boom of 1973 and 1974, and a serious deterioration in most developing countries' terms of trade. For the future, the better off developing countries will benefit more than the poorest countries from the end of the recession, and international attention must therefore be focussed on the prospects for the poorest countries. HMG's aid strategy, detailed in "The Changing Emphasis in British Aid Policies" (Cmnd 6270), of giving more help to the poorest is particularly appropriate in these circumstances and these countries will receive an increasing proportion of aid programme allocations.

OTHER OVERSEAS SERVICES

£ million at 1975 Survey prices

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------|---------|---------|---------|---------|---------|---------|
| 375.7 | 366.7 | 443.6 | 441.3 | 466.7 | 497 | 516 |
| 4.7 | 1.9 | 2.1 | 2.5 | 4.2 | 5 | 4 |
| 380.4 | 368.6 | 445.7 | 443.8 | 470.9 | 502 | 520 |
| 8.0 | 7.7 | 7.8 | 9.0 | 9.8 | 10 | 10 |
| 116.2 | 113.9 | 124.3 | 128.4 | 126.6 | 124 | 124 |
| 52.8 | 52.5 | 58.2 | 58.6 | 56.7 | 54 | 54 |
| 62.9 | 66.1 | 69.6 | 70.8 | 68.8 | 70 | 73 |
| 8.5 | 2.6 | 1.2 | 1.1 | 1.1 | — | — |
| 248.4 | 242.8 | 261.1 | 267.9 | 263.0 | 258 | 261 |
| 163.8 | -8.1 | 27.4 | 170.5 | 219.0 | 267 | 304 |
| 32.3 | 88.9 | — | — | — | — | — |
| — | 106.1 | — | — | — | — | — |
| 824.9 | 798.3 | 734.2 | 882.2 | 952.9 | 1,027 | 1,085 |
| | -168.6 | -144.8 | -55.8 | -57.8 | -63 | |
| | 966.9 | 879.0 | 938.0 | 1,010.7 | 1,090 | |

3. The allocations are reviewed regularly. In 1976-77 it is planned that roughly half the allocations will go to bilateral capital aid, a quarter through multilateral institutions, and a little less than a fifth in technical assistance. The remainder will be spent through the Commonwealth Development Corporation and on payment of pensions to British citizens who have worked for the Governments of developing countries. Within this framework there is a traditional pattern of allocations to Commonwealth countries (over 70 per cent of bilateral aid) and a significant, but decreasing, allocation for our remaining dependencies (some 9 per cent of bilateral aid). In 1974 over 63 per cent of bilateral aid went to the poorest countries—those with a 1972 GNP of less than US \$200 a head—and it is planned that this will increase in the future.

4. Over two-thirds of bilateral aid in 1974 was in the form of loans (mainly interest-free), and nearly one third in the form of grants. The United Kingdom complied in 1974 with the main objective contained in the Recommendation on Terms of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development. On the basis of the Grant Element, which is the internationally recognised measure of concessionality*, the UK attained an average grant element of just over

*See Part 5, Section 1.

86 per cent against a target of at least 84 per cent. We expect that this good record will be further improved in future, since during 1975 the UK announced that, as part of the new emphasis on helping the poorest, our future government-to-government official development assistance commitments to developing countries with a GNP per capita of less than US \$200 would normally be given as outright grants.

5. In 1976 as in previous years the largest single allocation of multilateral aid will be for the World Bank Group, and particularly for its soft-lending "window", the International Development Association (IDA). Most of the IDA's resources go to the poorest countries, and our continuing support for IDA is entirely consistent with our aid strategy. In addition we shall be contributing to the new "Third Window" for lending on intermediate terms. Another substantial part of our multilateral aid goes to finance aid provided for developing countries through the European Economic Community, a large part of which is food aid. Strong British support is given to the United Nations Development Programme and other UN and relief agencies; and regional development banks are also assisted from British aid funds.

6. 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 people 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 of over 11,000 advisers, experts and teachers, and over 2,300 volunteers, as well as training in the United Kingdom of over 9,700 students and 5,000 trainees.

7. Detailed statistical information for the past five years is given in the HMSO publication "British Aid Statistics", and an account of the British Aid Programme as provided to the DAC is published as a White Paper each year.

Overseas aid administration

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

Overseas representation

9. This expenditure covers the cost of the Foreign and Commonwealth Office (FCO) in London, British diplomatic and consular representation in about 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 supporting the Diplomatic Service.

10. Expenditure by the Property Services Agency (PSA) on the Diplomatic Estate overseas accounts for about 22 per cent of this programme.

11. 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 multi-lateral negotiations on international trade and payments; administering overseas Britain's aid programme and immigration policies; and representing Her Majesty's Government in international organisations.

12. After some increase in 1976-77 largely for the Diplomatic Estate, expenditure will steadily decline over the period covered. These reductions will be achieved by a more effective concentration of resources, and by cuts in staff and staff related costs and in the Diplomatic Estate. The terms of reference of a review of overseas representation were announced in Parliament on 14 January.

Overseas information

13. This programme covers three main elements:

(a) The cost of the BBC External Services. These broadcast in English and 39 other languages for over 700 hours a week* to inform the largest possible foreign audiences about Britain and her role in international affairs. They supply pre-recorded programmes to overseas broadcasting stations. The expenditure also 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.

(b) The FCO share of British Council expenditure† to promote wider knowledge of the United Kingdom and the English language abroad and to foster cultural relations with other countries. The remainder of the British Council expenditure is included in overseas aid. The Council is at present represented in 80 countries overseas.

(c) The cost of FCO information staff at home and abroad and their operational expenses as well as the cost of supporting services provided by the Central Office of Information and the Stationery Office, and part of external broadcasting relay expenditure. The

*See BBC Handbook 1976.

†See British Council Annual Reports.

aim is to ensure by personal contact, the provision of material in all media and a programme of visits to the United Kingdom, an awareness of Britain's international role and interests; and to secure an understanding of and support for the policies of Her Majesty's Government, as well as achieving a favourable environment for the promotion of the interests of British business.

14. The programme for the period 1975-76 to 1979-80 is allocated as follows:—

| | 1975-76 | 1976-77 | £ million at 1975 Survey prices | | |
|-----------------------------------|---------|---------|---------------------------------|---------|---------|
| | | | 1977-78 | 1978-79 | 1979-80 |
| BBC External Services | 22.7 | 23.1 | 22.9 | 21 | 21 |
| British Council (FCO share) ... | 16.2 | 14.8 | 14.1 | 14 | 14 |
| Official information services ... | 19.3 | 20.7 | 19.7 | 19 | 19 |
| Total | 58.2 | 58.6 | 56.7 | 54 | 54 |

15. Capital expenditure on an agreed list of projects varies from year to year and accounts for about 5.5 per cent of the total over the period 1975-76 to 1979-80.

16. As indicated in Cmnd 5879, the overseas information programme was already scheduled to be cut by £1.5 million a year (at 1974 prices) from 1975-76 onwards. The provision shown in Table 2.2 has been further reduced, accentuating the downward trend. Publicity for exports will however continue to receive priority.

Other external relations

17. 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 the 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. Provision has been made for the UK's contribution to the United Nations Emergency Force in the Middle East in 1975-76 and 1976-77.

Military aid

18. This programme consists mainly of courses in the UK for overseas Service personnel and to a lesser extent the loan of British Service personnel to a few developing countries for training purposes. By comparison with Cmnd 5879 annual expenditure under this heading has been reduced by amounts varying between 26 and 15 per cent over the period 1975-76 to 1979-80. The figures in Table 2.2 above are net of repayments of earlier capital aid loans.

*Session 74-75 HC.319.

Contributions to the European Communities, etc (net)

19. The figures in Table 2.2 are made up of two elements. First, the United Kingdom's payments to the budget of the European Communities, net of receipts from the budget and excluding the UK share of expenditure programmes which are included in other functional programmes; second, contributions to the capital and reserves of the European Investment Bank. The full totals of the United Kingdom's payments to the Community budget are set out in the tables in paragraph 22 below.

20. The United Kingdom's contributions 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 budget would depend in part on the amount of "own resources" collected in the United Kingdom in 1977. The United Kingdom's contribution to the 1980, and subsequent, budgets will be on the basis of the full "own resources" system. For the purpose of these forecasts it has been assumed that the United Kingdom's share of the budgets for 1978 to 1980 would be in the order of 21 to 24 per cent.

21. Following the conventions used elsewhere in this White Paper, the estimates take account only of expenditure on policies which have already been agreed. In general they exclude any allowance for policies still under discussion in the Council of Ministers. The estimates are based on the present budgetary arrangements including the Budget Correcting Mechanism agreed as part of the renegotiation of the UK's terms of entry to the EEC. The present unit of account conversion rates have been used in the estimates; in the case of the budget unit of account £1 equals 2.4 units of account.

22. The latest estimates for the calendar years to 1980 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 | 179 | 148 | 31 |
| 1975 | 342 | 396 | -54 |
| 1976 | 470 | 305 | 165 |
| 1977 | 525 | 315 | 210 |
| 1978 | 585 | 330 | 255 |
| 1979 | 655 | 330 | 325 |
| 1980 | 685 | 360 | 325 |

In financial years to 1979-80, the figures are:

£ million

| | Gross Contribution | Receipts | Net Contribution |
|---------|--------------------|----------|------------------|
| 1973-74 | 200 | 104 | 96 |
| 1974-75 | 197 | 232 | -35 |
| 1975-76 | 380 | 355 | 25 |
| 1976-77 | 480 | 310 | 170 |
| 1977-78 | 535 | 315 | 220 |
| 1978-79 | 600 | 330 | 270 |
| 1979-80 | 670 | 355 | 315 |

(The figures for the current year and future years are at 1975 survey prices; the figures for prior years are at outturn prices. Receipts during 1974-75 and 1975 exceeded contributions largely due to the high level of payments to the UK under the Common Agricultural Policy; the forecast of the net contribution in 1975-76 has been reduced by comparison with the figure in Cmnd 5879, for the same reason.)

23. 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 the three Institutions. The main Community policies (eg the Common Agricultural Policy, the Social Fund, the Regional Development Fund, aid, research) are financed from the Commission's expenditure which accounts for some 98 per cent of the provision in the 1976 Community budget.

24. The Community budget finances a range of expenditure programmes. About three-quarters of the expenditure provided for in the 1976 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, 4 per cent for the Regional Development Fund and 3 per cent for aid, mainly in the form of food aid for developing countries. The remainder of the 1976 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 costs 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.

25. The figures in the final column of the second table in paragraph 22 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. They include payments totalling approximately £20 million to the European Investment Bank following the decision to increase the Bank's capital taken by the Board of Governors in July 1975. The payments will be made in eight equal half-yearly instalments, commencing on 30th April 1976.

Table with columns for years (1970-71, 1971-72, 1972-73) and various agricultural and market categories. Values are presented in thousands of units. The table includes rows for production, processing, and other market-related activities.

(4) Part of the expenditure on this Programme will be recoverable from the EU Commission. Receipts from the source are included in Table 2.2. Other and other overseas services.

1. The increase in full Community support levels under the Community Agricultural Policy (CAP) will be completed during the survey period. The total support for agricultural products covered by the CAP is provided predominantly by Community measures. Other forms of support including capital grants, will continue during the period under review. This includes national and regional schemes. 2. Expenditure in Northern Ireland on price guarantees (except on wheat) on production and capital support measures and on support in special areas is included in Programme 12 Northern Ireland. Expenditure under the CAP in other areas is detailed in the various tables set out in the following tables. This heading includes expenditure borne by the intervention in the Agricultural Products in respect of both the CAP and Community food aid. The food aid expenditure is funded entirely by subsidies from Community Budget, and most of the expenditure by the intervention. Expenditure on CAP is covered by subsidies from the Guarantee section of Community Agricultural Guarantee Fund (GAGF). Expenditure on agricultural light towers for 1972-73 includes 450.2 million for the Community's amount payable by this Community and light towers made as a proportion of total eligible expenditure and 441.1 million for the cost of the best premium scheme, of which 146.3 million is included as the GAGF contribution. The lower figures forecast for 1976 and 1977 reflect an expected fall in expenditure on monetary contribution amount.

3. AGRICULTURE, FISHERIES

TABLE 2.3

| | 1970-71 | 1971-72 | 1972-73 |
|---|--------------|--------------|--------------|
| Market regulation and production support | | | |
| Market regulation under Common Agricultural Policy (CAP) of the EEC | — | — | 0.5 |
| Price guarantees on products supported by the CAP | 113.7 | 167.5 | 108.8 |
| Price guarantees on other products | 38.5 | 51.9 | 21.8 |
| Production grants and subsidies | 135.4 | 118.3 | 96.4 |
| Support for capital and other improvements | 81.7 | 110.5 | 97.3 |
| Support for agriculture in special areas | 49.3 | 49.4 | 47.3 |
| | 418.6 | 497.6 | 372.1 |
| Other assistance to agricultural production, food processing and marketing | 74.0 | 73.5 | 126.0 |
| Food subsidies | — | — | — |
| Covent Garden Market Authority | 8.3 | 7.6 | 7.0 |
| Central and miscellaneous services | 46.8 | 50.8 | 35.4 |
| Total Agriculture and food | 547.7 | 629.5 | 540.5 |
| Support for the fishing industry | 19.4 | 17.4 | 21.9 |
| Forestry | 64.9 | 70.7 | 72.1 |
| Total | 632.0 | 717.6 | 634.5 |
| Changes from Cmnd 5879 revalued | | | |
| Cmnd 5879 revalued | | | |

(1) Part of the expenditure on this Programme will be recoverable from the European Communities. Receipts from this source are included in Table 2.2: Overseas aid and other overseas services.

1. The transition to full Community support levels under the Common Agricultural Policy (CAP) will be completed during the survey period. By 1978 market support for agricultural products covered by the CAP will be provided predominantly by Community measures. Other forms of support, including capital grants, will continue during the period under Community measures and national schemes.

2. Expenditure in Northern Ireland on price guarantees (except milk and wool), on production and capital support measures, and on support in special areas is included in Programme 15, Northern Ireland.

Market regulation under the CAP

3. This heading includes expenditure borne by the Intervention Board for Agricultural Produce in respect of both the CAP and Community food aid. The food aid expenditure is funded entirely by advances from the Community Budget, and most of the expenditure by the Intervention Board under the CAP is covered by advances from the Guarantee Section of the European Agricultural Guidance and Guarantee Fund (EAGGF). The substantial figure forecast for 1975-76 includes £165.2 million for monetary compensatory amounts payable on Intra-Community and third country trade (a large proportion of which benefits consumers) and £94.2 million for the cost of the beef premium scheme, of which £44.2 million is estimated as the EAGGF contribution. The lower figures forecast for 1976-77 and later years reflect an expected fall in expenditure on monetary compensatory amounts.

AND FORESTRY⁽¹⁾

£ million at 1975 Survey prices

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------|---------|---------|---------|---------|---------|---------|
| 144.5 | 249.1 | 307.6 | 219.8 | 224.1 | 216 | 216 |
| 165.0 | 0.2 | — | 0.6 | — | — | — |
| -6.0 | 6.1 | 11.2 | 12.2 | 12.2 | 12 | 12 |
| 77.3 | 131.0 | 73.9 | 38.2 | 33.0 | 24 | 21 |
| 99.3 | 77.2 | 51.8 | 62.4 | 61.3 | 61 | 62 |
| 48.9 | 78.4 | 51.4 | 47.1 | 44.3 | 39 | 37 |
| 529.0 | 542.0 | 495.9 | 380.3 | 374.9 | 352 | 348 |
| 93.4 | 150.9 | 223.3 | 98.0 | 82.6 | 80 | 79 |
| — | 651.7 | 576.3 | 375.8 | 250.0 | 75 | 50 |
| 7.4 | 1.2 | 1.9 | 0.3 | — | — | — |
| 52.2 | 55.0 | 57.6 | 58.6 | 58.6 | 60 | 61 |
| 682.0 | 1,400.8 | 1,355.0 | 913.0 | 766.1 | 567 | 538 |
| 23.7 | 15.2 | 30.9 | 20.9 | 20.4 | 20 | 20 |
| 45.4 | 51.7 | 52.2 | 52.8 | 53.5 | 54 | 54 |
| 751.1 | 1,467.7 | 1,438.1 | 986.7 | 840.0 | 641 | 612 |
| | -96.1 | +462.5 | -39.5 | -105.4 | -205 | |
| | 1,563.8 | 975.6 | 1,026.2 | 945.4 | 846 | |

Price guarantees

4. The UK price guarantees for cereals will terminate at the end of July 1976 which is the end of the crop year for cereals. Milk will then be the only CAP product supported by a UK price guarantee. The cost of implementing the milk guarantee is to be regarded as a consumer subsidy and is accordingly included in the table under "food subsidies". The termination of the cereals guarantees, and high market prices in 1975-76, result in substantial savings on Cmnd 5879.

5. For price guarantees of products not covered by the CAP—sheep, wool and potatoes—the figures are conventional, being based on a projection of the estimated expenditure in the current year and reflect the determinations made following the 1975 Annual Review (Cmnd 5977). Any changes in guaranteed prices following the 1976 Review could affect the projections.

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

6. The forecasts include the increase in the rate of hill sheep subsidy following the 1975 Annual Review. They also make provision for some reduction in production grants and subsidies from 1977-78. From 1 January 1976 the CAP system of aids to less-favoured farming areas (partially refunded by EAGGF) replaced the United Kingdom system of support in hill areas but this has had no significant effect on the forecast level of expenditure. The figures for production grants and subsidies and for

support in special areas take account of the extent to which grants and subsidies, at fixed rates, lose their value as prices rise. The extent to which that value is restored or improved at subsequent reviews, including the 1976 Annual Review, is a charge on the contingency reserve.

Relationship of agricultural expenditure to policy objectives

7. The Government's agricultural objectives and priorities for the medium term are set out in "Food from our own resources" (Cmnd 6020). The economic condition 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. 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.

8. 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 commodity prices in recent years illustrate the difficulties of prediction.

Other assistance to agricultural production, food processing and marketing

9. The figures include continuing expenditure by the agricultural departments on agricultural research, advisory services and the eradication and control of animal disease. The major change compared with Cmnd 5879 is in respect of sugar. Cmnd 5879 included provision of £150 million in 1974-75 for temporary advances to assist sugar refiners with bridging finance for exceptional transactions to ensure supplies, provision for repayments being made in 1975-76; in the event, advances were fully repaid within the 1974-75 financial year, thus removing the provision made for each of these years. Payments to the food and agricultural industries have also been higher than forecast in Cmnd 5879. Further measures were introduced in May 1975 in implementation of the guarantee given to sugar refiners and other buyers of ACP sugar shipped to the United Kingdom in 1975 and provision for these payments is included in 1975-76 (£125 million) and 1976-77 (£11 million).

Central and miscellaneous services

10. Central services include the main expenditure by the agricultural departments and the Intervention Board for Agricultural Produce on staff costs and administration of the agricultural programmes. They do not include the Agricultural Development and Advisory Service (attributed to "other assistance to agricultural production").

11. 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 including payments to international organisations.

Fisheries

12. This programme mainly comprises grants and loans for new vessels and equipment and grants for the improvement of harbours. Additional support is provided by way of research and development, fishing protection in Scottish waters and, currently, support for trawler operations in the waters off Iceland. The 1975-76 figure also includes provision for the temporary fishing subsidy in 1975.

Relationship of fisheries expenditure to policy objectives

13. The general objective of this programme is to ensure a regular supply of fish for consumers by maintaining a fishing fleet of such size and type as will be best able to exploit efficiently the resources available to it, and reduce dependence on imports. The conditions in which the industry will be operating in future will be heavily influenced by the outcome of the United Nations Law of the Sea Conference and developments in the Common Fisheries Policy of the EEC, including projected common action for the restructuring of Community fishing fleets.

14. UK landings of fresh and frozen fish (including shellfish) in 1973 and 1974 were between 900,000 and 1 million tons. They accounted for about 85 per cent of total supplies, excluding canned fish. The fishing fleet provides direct employment for about 20,000 full time and nearly 5,000 part time people. In each case roughly half are employed in England and Wales the remainder in Scotland. Whilst the character of the fleet was changing during 1974 and 1975 about 6,500 vessels continued to fish regularly.

Forestry

15. 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 £27.7 million to £33.2 million) and depreciation.

16. The demand upon resources is measured by the cost of capital employed by the Forestry Commission at the ruling Government rates of interest and by cash expenditure. Towards the cost of capital employed there is a subsidy to cover the difference between the target rate of return of 3 per cent set by the Government and the ruling Government lending rate and there are other subsidies on activities which are not capable of producing the target rate but which the Commission undertakes for social reasons.

17. The Forestry Enterprise is carrying out a combined planting and restocking programme of up to 22,000 hectares a year. Over the five-year period of the Survey the forest estate will increase from about 810,000 hectares to 900,000 hectares with a plantable reserve of about 90,000 hectares. Approximately 665 kilometres of new roads will be constructed and about 9.2 million cubic metres of timber harvested. The Commission provides substantial recreational facilities including camping sites and self catering accommodation, information centres, picnic places and viewpoints with associated parking facilities, forest walks and nature trails.

18. As the Forestry Authority, the Commission undertakes research into all branches of forestry, controls felling in private woodlands and provides technical advice to private woodland owners. The Commission pays grants for planting of timber-producing species subject to the acceptance by the owner of obligations relating to the management of the woodlands designed to secure sound forestry practice, good land use, environmental benefits and opportunities for recreation. Private planting under grant schemes has been about 22,000 hectares a year for the last few years.

19. The net surplus on Commission trading accounts was previously deducted from total expenditure for Survey purposes. As a consequence of a change in classification to conform to National Accounts principles it now forms part of the Gross Trading Surplus which is not reflected in the Survey figures. The increases in total expenditure solely attributable to this change range from £4.2 million in 1975-76 to £7.0 million in 1979-80. This does not lead to an increase in the cash requirement.

Food subsidies

20. The Programme of consumer subsidies to hold down prices of certain foodstuffs in the UK is carried out under Section 1 of the Prices Acts 1974 and 1975. Subsidies are currently paid on bread, butter, cheese, household flour, milk and tea.

21. These subsidies are currently estimated to reduce the Food Index by 5.8 points (4 per cent) and the saving on the Retail Price Index is estimated to be 1.3 points (0.9 per cent). It is estimated from the results of National Food Survey for the second quarter of 1975 that the saving for a typical family of two adults and two children is about 71p a week, and almost 45p a week for a pensioner couple.

22. The Exchequer contribution towards the general butter subsidy (£87.7 million in 1975-76) is borne on the vote of the Department of Prices and Consumer Protection and an additional contribution of £19 million is paid by the Intervention Board for Agricultural Produce from the Guarantee Section of the EAGGF.

4. TRADE, INDUSTRY

TABLE 2.4

| | 1970-71 | 1971-72 | 1972-73 |
|--|---------|---------|---------|
| Regional support and regeneration | | | |
| Regional development grants | — | — | 10.8 |
| Provision of land and buildings | 22.1 | 16.5 | 16.6 |
| Selective assistance to industry in assisted areas... | — | — | 0.6 |
| Other regional support | 6.6 | 8.3 | 8.3 |
| Regional employment premium* | 212.4 | 192.1 | 161.0 |
| Residual expenditure under repealed sections of the Local Employment Act 1972 | 53.0 | 47.1 | 64.9 |
| Scottish and Welsh Development Agencies | — | — | — |
| Total | 294.1 | 264.0 | 262.2 |
| Industrial innovation | | | |
| General industrial R. and D. | 32.1 | 29.0 | 28.0 |
| Technological and industrial sponsorship | 6.2 | 2.3 | 4.8 |
| Aircraft and aero-engine general R. and D. programme | 14.9 | 14.1 | 18.1 |
| Concorde—development | 103.8 | 93.9 | 69.7 |
| production | 12.0 | 22.5 | 37.1 |
| RB 211 | 20.9 | 104.8 | 68.5 |
| Other aircraft and aero-engine projects and assistance | 44.4 | 32.2 | -2.1 |
| Space | 11.7 | 12.0 | 11.0 |
| Nuclear | 82.1 | 73.8 | 72.2 |
| Total | 328.1 | 384.6 | 307.3 |
| General support for industry | | | |
| National Enterprise Board* | — | — | — |
| Selective assistance to individual industries, firms and undertakings | — | — | 8.8 |
| Promotion of tourism | 10.1 | 17.4 | 24.4 |
| Refinancing of home shipbuilding lending | — | — | 78.2 |
| Assistance to the shipbuilding industry | 0.6 | 7.3 | 18.6 |
| Other support services | 34.0 | -27.2 | -26.5 |
| Investment grants | 808.2 | 635.4 | 384.3 |
| Total | 852.9 | 632.9 | 487.8 |
| Support for nationalised industries (other than the transport industries) | | | |
| Compensation for price restraint | 80.8 | 59.3 | 71.4 |
| Assistance to the Coal Industry: | | | |
| Coal Industry Act | 44.8 | 181.5 | 124.9 |
| Pneumoconiosis Scheme | — | — | — |
| Other compensation | — | — | 19.9 |
| Safety and product quality and other services | 0.6 | 0.9 | 0.9 |
| Total | 126.2 | 241.7 | 217.1 |
| International trade | | | |
| Export promotion and trade co-operation | 11.6 | 9.7 | 8.7 |
| Refinancing of fixed rate export credits | — | — | 501.7 |
| Cost escalation guarantees | — | — | — |
| Regulation of domestic trade and industry and consumer protection | 2.4 | 1.1 | 1.5 |
| Functioning of the labour market | | | |
| Employment services and industrial rehabilitation | 44.2 | 47.7 | 54.4 |
| Industrial training | 59.9 | 49.2 | 69.9 |
| Redundancy fund payments | 73.5 | 97.7 | 66.3 |
| Industrial relations and other labour market services | 7.5 | 6.7 | 38.7 |
| Total | 185.1 | 201.3 | 229.3 |

* Figures for 1975-76 and onwards are in money terms and not at constant prices.

AND EMPLOYMENT

£ million at 1975 Survey prices

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------|---------|---------|---------|---------|---------|---------|
| 109.7 | 180.5 | 248.0 | 243.0 | 223.0 | 230 | 239 |
| 12.1 | 21.6 | 25.7 | 23.3 | 16.4 | 16 | 17 |
| 31.2 | 35.9 | 76.0 | 47.0 | 45.0 | 43 | 40 |
| 8.8 | 10.1 | 11.6 | 11.6 | 11.3 | 12 | 11 |
| 156.6 | 191.2 | 215.0 | 212.5 | 215.0 | 220 | 225 |
| 40.0 | 1.7 | -4.9 | -11.6 | -9.9 | -9 | -6 |
| — | — | 12.7 | 48.8 | 61.6 | 69 | 77 |
| 358.4 | 441.0 | 584.1 | 574.6 | 562.4 | 581 | 603 |
| 30.8 | 32.2 | 36.7 | 37.5 | 40.8 | 45 | 46 |
| 4.4 | 3.8 | 7.6 | 7.2 | 9.1 | 9 | 9 |
| 19.7 | 19.6 | 17.4 | 15.3 | 12.5 | 12 | 12 |
| 49.5 | 44.2 | 32.7 | 16.4 | 11.3 | 10 | 9 |
| 44.4 | 38.0 | 22.6 | 12.6 | 10.2 | 5 | 1 |
| 25.0 | 38.5 | 0.9 | -2.9 | -7.6 | -2 | -2 |
| 39.2 | 26.4 | 113.8 | -1.0 | -1.6 | -1 | -1 |
| 13.9 | 17.4 | 21.7 | 23.9 | 21.0 | 16 | 16 |
| 82.2 | 71.0 | 101.2 | 109.1 | 80.2 | 73 | 71 |
| 309.1 | 291.1 | 354.6 | 218.1 | 175.9 | 167 | 161 |
| — | — | 50.0 | 225.0 | 225.0 | 225 | 225 |
| 15.8 | 21.1 | 326.5 | 132.9 | 120.8 | 93 | 52 |
| 42.3 | 18.9 | 16.3 | 14.2 | 14.2 | 14 | 15 |
| 135.7 | 115.9 | 94.0 | 52.3 | 43.8 | 44 | 41 |
| 24.5 | 50.8 | 37.3 | 31.6 | 16.1 | 10 | 10 |
| -22.2 | 201.4 | 10.3 | 0.4 | 0.2 | -1 | -1 |
| 233.2 | 101.8 | 63.0 | 23.0 | 4.8 | 2 | 1 |
| 429.3 | 509.9 | 597.4 | 479.4 | 424.9 | 387 | 343 |
| 430.7 | 640.4 | 85.3 | — | — | — | — |
| 388.4 | 79.6 | 45.9 | 33.8 | 29.9 | 23 | 21 |
| — | 60.0 | 40.0 | — | — | — | — |
| 7.4 | 8.5 | 12.7 | 64.4 | 16.0 | 14 | 2 |
| 1.0 | 1.0 | 1.3 | 1.1 | 0.9 | 1 | 1 |
| 827.5 | 789.7 | 185.2 | 99.3 | 46.8 | 38 | 24 |
| 10.7 | 10.2 | 13.7 | 13.8 | 13.2 | 13 | 13 |
| 545.7 | 528.6 | 458.0 | 337.0 | 394.0 | 454 | 464 |
| — | — | -0.8 | -7.0 | 7.8 | 1 | 2 |
| 2.0 | 4.2 | 6.9 | -0.5 | -5.2 | -6 | -4 |
| 61.4 | 57.5 | 86.7 | 99.0 | 93.0 | 98 | 102 |
| 74.3 | 85.8 | 178.8 | 209.2 | 195.2 | 206 | 220 |
| 42.6 | 51.6 | 97.4 | 90.5 | 67.8 | 68 | 68 |
| 8.2 | 7.4 | 24.6 | 62.5 | 15.9 | 16 | 16 |
| 186.5 | 202.3 | 387.5 | 461.2 | 371.9 | 388 | 406 |

Table 2.4 continued

| | 1970-71 | 1971-72 | 1972-73 |
|--|----------------|----------------|----------------|
| Central and miscellaneous services | | | |
| Employment | 44.3 | 45.0 | 41.9 |
| Other | 35.8 | 36.4 | 33.8 |
| SET additional payments | 7.4 | 0.2 | 0.2 |
| British Petroleum Rights Issue | — | 52.1 | 47.7 |
| Total | 1,887.9 | 1,869.0 | 2,139.2 |
| Changes from Cmnd 5879 revalued | | | |
| Cmnd 5879 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, and Section 7 of that Act provides a flexible scheme of selective assistance by means of loans and grants. The regional employment premium has been continued. The provision of factories continues as does the use of industrial development certificates to encourage the location of new or expanding industrial activities in the assisted areas. The Scottish and Welsh Development Agencies have been set up to accelerate the economic and industrial development of Scotland and Wales and to improve the environment consistently with that objective.

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 intermediate areas and in the case of a building or of any works provided before 22 March 1974, in the derelict land clearance areas.

Provision of land and buildings

3. In addition to expenditure under existing policies for land purchase and factory buildings in England, the forecasts include additional expenditure on advance factory building and modernisation included in the package of measures to alleviate unemployment announced by the Government on 24 September 1975. Land purchase and factory building in Scotland and Wales is included under Scottish and Welsh Development Agencies (see paragraph 5).

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 which include regional development grants and regional employment premiums. For projects which provide

£ million at 1975 Survey prices

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------|---------|---------|---------|---------|---------|---------|
| 65.3 | 41.6 | 47.7 | 53.0 | 53.7 | 54 | 56 |
| 36.1 | 46.9 | 46.9 | 43.5 | 45.2 | 46 | 46 |
| 0.2 | 0.1 | — | — | — | — | — |
| — | — | — | — | — | — | — |
| 2,770.8 | 2,865.4 | 2,681.2 | 2,272.4 | 2,090.6 | 2,123 | 2,114 |
| | +12.7 | +396.8 | +577.8 | +478.5 | +492 | |
| | 2,852.7 | 2,284.4 | 1,694.6 | 1,612.1 | 1,631 | |

additional employment, this assistance includes loans at favourable rates, or as an alternative, interest relief grants towards the cost of finance obtained from commercial sources. Removal grants are also available when a firm is moving into an assisted area. The forecasts are lower than Cmnd 5879 owing to the transfer of provision for shipbuilding to the sub-programme "Assistance to the shipbuilding industry".

Scottish and Welsh Development Agencies

5. These new provisions reflect expenditure programmes of £200 million for the Scottish Development Agency and £100 million for the Welsh Development Agency over five years. The main objectives of the Agencies will be to accelerate the economic and industrial development of Scotland and Wales and to improve the environment consistently with that objective. In particular they will have the task of establishing or helping to establish new industrial enterprises; and of planning, developing, maintaining, and managing industrial estates in Scotland and Wales and of providing advance and purpose built factories. This calls for expanding programmes of expenditure. The Agencies will also expand the derelict land clearance programmes and they will undertake major environmental schemes.

Regional employment premium

6. Regional employment premium is under review. The forecasts assume the continued payment of the premium to manufacturing industry in development areas.

Residual expenditure under repealed sections of the Local Employment Act 1972

7. Outstanding commitments to pay building grants and grants under Section 4 of the Act are estimated to be higher than in Cmnd 5879. It is now expected that payments will be completed during 1977-78.

Industrial innovation

General industrial research and development

8. Expenditure under this programme covers the Department of Industry's Industrial Research Establishments (IREs) and the Computer

Aided Design Centre, contract support for industrial research associations, and other extra mural research and development. The greater part of this expenditure is now managed through the Requirements Boards set up to implement the customer/contractor relationship as recommended in "Framework for Government Research and Development" (Cmnd 5046).

9. The IREs include three multi-purpose laboratories (National Physical Laboratory, National Engineering Laboratory and Warren Spring Laboratory) and a more specialised establishment, the Laboratory of the Government Chemist. In addition to their work for the Requirements Boards IREs undertake work for Government departments, for other public authorities and for industry. Their activities are expected to continue at broadly the present level over the period to 1979-80.

10. Expenditure on research and development contracts with industry, which are usually carried out on a cost sharing basis, is mainly on Ship and Marine Technology. It is expected that this work will continue to grow. There will also be increasing emphasis on energy conservation, waste reclamation, and on the dissemination of new technology developed in Government establishments. Support for the industrial research associations, which increases substantially over the period, now takes the form of contracts rather than grants. Grants-in-aid will continue to be made at approximately the current level to the Design Council and the National Computing Centre, and provision is made for repayment work at the Atomic Energy Authority and Natural Environment Research Council.

11. The forecasts for this programme show a decrease on Cmnd 5879, reflecting its contribution to public expenditure savings.

12. Expenditure by the Department of Energy includes offshore geological studies, work to support the Department's statutory responsibilities for the safety of offshore installations and research and development to promote the competitiveness of British industry in the field of offshore oil and gas operations. It also includes the Department's contributions to certain research and development programmes carried out under the auspices of the International Energy Agency. The Department also proposes to commission further work on new energy sources and on energy conservation.

Technological and industrial sponsorship

13. This programme is controlled by the Department of Industry, and includes cost-sharing research and development contracts, pre-production purchases of advanced machinery and equipment and assistance to mineral exploration under the Mineral Exploration and Investment Grants Act 1972. Grant-in-aid support is given to the National Computing Centre for software development projects and provision is also made for certain payments to the National Research Development Corporation under Section 11 of the Development of Inventions Act 1967.

Aircraft and aeroengine projects and assistance

14. A Bill has been presented to Parliament for the nationalisation of the aircraft industry. Subject to the passage of this legislation the Govern-

ment will be concerned with the finance required for the new nationalised industry—British Aerospace—to carry on its business, and not only, as at present, with the Government contribution to specific projects (see Chapter 5, paragraph 4).

Aircraft and aeroengine general research and development

15. 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 exhaust pollution. About half of the work is carried out at Government R and D establishments, and the rest in industry or universities. Subject to the passage of the Aircraft and Shipbuilding Industries Bill British Aerospace will in due course take over responsibility for that part of this expenditure relevant to its activities.

Concorde

16. The provision includes the United Kingdom share of the cost of the authorised programme of 16 aircraft, the development work required to achieve the certificate of airworthiness issued in the United Kingdom on 4 December 1975, work by the manufacturers to support the aircraft in airline service, and receipts from sales of aircraft and spares.

RB211

17. The Government financed development programme for the RB211-22 and the production of the first 555 engines for the Lockheed TriStar have now reached the stage when receipts are exceeding expenditure. Production of these engines will be completed in 1976-77. In September 1974 the Government announced support for the development of the more powerful RB211-524 for the TriStar, and in June 1975 further support was announced for the application of the engine to the Boeing 747.

Other aircraft and aeroengine projects and assistance

18. The estimates include provision of working capital for Rolls Royce (1971) Ltd up to and including 1975-76. The shares of the Company are shortly to be transferred to the National Enterprise Board, after which the latter will assume responsibility for meeting any further working capital requirements. The estimates cover also support for the HS146 project on the basis announced by the Secretary of State for Industry on 9 December 1974, and for the M45H engine; payments to the Ministry of Defence (Procurement Executive) for headquarters services on behalf of the Department of Industry; and receipts from levies on sales of civil aircraft and engines, other than Concorde and the RB211, developed with Government support.

Space

19. The forecasts provide, principally, for the main part of the United Kingdom's contribution to the European Space Agency which has assumed responsibility for programmes formerly undertaken by the European Space Research Organisation. (The other part is provided by the Science Research Council—Chapter 10, paragraph 11.) The contribution covers the UK's share in the Agency's applications programmes (ie aeronautical, meteoro-

logical, telecommunications and maritime satellites), the Space Laboratory and the Ariane Launcher Technology. The contribution for 1978-79 has been reduced, compared with Cmnd 5879, for it is now assumed that the UK will contribute on a less generous scale than at present to any replacement projects once the present applications programmes are completed. Provision is also made for continuing commitments to a small National Space Technology programme to be carried out partly in industry and partly in the form of research and development work at the Royal Aircraft Establishment. The purpose of this programme is to support the UK space industry in maintaining its competitive position.

Nuclear energy

20. Most of this expenditure is for research and development work by the Atomic Energy Authority in support of the development of nuclear power stations. This includes continuing research in support of the Advanced Gas Cooled Reactor programme, the development programme for the commercial Steam Generating Heavy Water Reactor and work on a demonstration fast reactor. Expenditure on the safety aspects of these programmes and other miscellaneous nuclear services, including the international centrifuge project for enriching uranium, and the provision of additional capital to British Nuclear Fuels Ltd, is also covered.

General support for industry

National Enterprise Board

21. Provision is made for capital investment by way of share acquisition and loans by the National Enterprise Board (NEB). At the present stage this provision is inevitably arbitrary and will need to be kept under review. It is based on an allocation, shown in Table 2.4 in cash terms, of the £1,000 million provided for under the Industry Act 1975, less a notional allowance for other claims on the statutory provision. The £1,000 million will not however be the only important source of funds for NEB companies, who themselves will be eligible to receive assistance under the Industry Act 1972—as for instance British Leyland Ltd (see paragraph 22 below).

Selective assistance to individual industries, firms and undertakings

22. Expenditure by the Department of Industry under Section 8 of the Industry Act 1972 includes the £100 million for accelerated capital investment and industry support schemes announced in the 1975 budget, the further £130 million earmarked for these purposes as part of the measures to curb unemployment and promote investment announced since September 1975, and assistance to the wool textile industry announced in 1973. Provision has been made for support to certain individual firms, including £200 million support for British Leyland Ltd over the period. This will be additional to the £247 million for the purchase of equity in British Leyland Ltd under the British Leyland Act 1975 and to the £300 million which is assumed to be required from the funds available to the National Enterprise

Board (see paragraph 21). The Government has agreed to provide Chrysler (UK) Ltd with a loan of £55 million in support of the company's investment programme; to meet possible losses over the period to 1979 up to a maximum of £72.5 million, and to guarantee a private sector loan of £35 million (with a counter-guarantee from the Chrysler Corporation). Provision has been included for the loan of £55 million, and for possible losses in 1975-76 and 1976-77 of £40 million. Any additional expenditure on meeting losses or expenditure under the guarantee would be a call on the contingency reserve.

23. Provision is also made for the £40 million assistance to International Computers (Holdings) Ltd under the Science and Technology Act 1965 during the period 1972-73 to 1976-77. The forecasts for 1978-79 and 1979-80 include initial repayments by ICL.

24. Expenditure by the Department of Energy includes payments under the Offshore Supplies Interest Relief Grant Scheme and assistance for projects already approved under Section 8 of the Industry Act 1972 in support of companies involved in supplying goods and services for offshore oil and gas operations. Any further projects under Section 8 would be a call on the contingency reserve.

Promotion of tourism

25. 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 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 have not yet been finalised.

Refinancing of home shipbuilding lending

26. The Department of Industry refinances a proportion of the credit provided by the clearing banks under the home shipbuilding credit scheme to UK purchasers of ships built in UK shipyards. The refinancing arrangements operate in conjunction with the refinancing arrangements for export credit (see paragraph 36). The forecast for 1975-76 includes provision for the Department of Industry to take over the remainder of a block of refinancing which was provided by the Issue Department of the Bank of England under earlier arrangements.

Assistance to the shipbuilding industry

27. Subject to the passage of the Aircraft and Shipbuilding Industries Bill a large part of the shipbuilding industry will soon be nationalised: the capital expenditure programme of the nationalised industry will then feature

in Programme 5 (see Chapter 5, paragraph 4). Provision is made here for certain limited and continuing expenditure by the Government under the Industry Act 1972. It covers, first, current commitments, largely for capital reconstruction programmes, to Govan Shipbuilders Ltd, Cammell Laird Ltd, Sunderland Shipbuilders Ltd, Austin and Pickersgill Ltd and certain smaller shipbuilders. Secondly, it includes a provision of £15 million a year from 1976-77 onwards, which has not yet been committed but which is likely to be needed as continuing special assistance to the industry. The forecasts also include repayments of loans made under the 1972 Act and also under the Shipbuilding Credit Act 1964 and the Shipbuilding Industry Act 1967.

Other support services

28. Expenditure by the Department of Energy includes the Energy Savings Loan Scheme, the development of construction sites for offshore oil and gas production platforms and a hydrographic survey to identify routes suitable for towing platforms to their production positions. Other items (which are the responsibility of various departments) include accelerated expenditure on machine tools, which will cease at the end of 1975-76, and receipts from miscellaneous loan repayments; the latter include loans made in respect of the QE2 and to the aluminium industry, and loans made by the Industrial Reorganisation Corporation. Provision is made for advances of loan capital to the National Film Finance Corporation.

Investment Grants

29. Residual expenditure arises from contracts entered into by companies before 27 October 1970.

Other information

30. 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 information.

Support for nationalised industries (other than the transport industries)

Compensation for price restraint

31. Subsidies for price restraint in 1975-76 are equivalent at outturn prices to £100 million. In accordance with the Government's policy of phasing out the subsidies by the end of 1975-76, no provision is made for future years.

Assistance to the Coal Industry

32. In line with the policy of phasing out subsidies to the nationalised industries, no specific provision has been made for grants to the National Coal Board for 1975-76 onwards, apart from certain social subsidies to help former employees.

33. The Government undertook in the Final Report of the Coal Industry Examination of 1974 to assist in meeting the existing deficiency in the Mineworkers' Pension Fund. Following an actuarial assessment of this deficiency, the Government has agreed to make 20 annual payments of £18 million and the National Coal Board (Finance) Bill now before

Parliament makes provision for these. In addition the Government finances a special scheme for payments to redundant miners.

Other compensation

34. The Department of Energy and the Scottish Office pay compensation to the Electricity Boards and to the British Gas Corporation under the 1972 scheme for the acceleration of capital investment to maintain employment. Provision is also made for payment by the Scottish Office in 1976-77 to the North of Scotland Hydro Electric Board towards its accumulated losses under the 1968 contract for the supply of electricity to the British Aluminium Company at Invergordon and, in subsequent years for losses expected to be incurred. This heading also covers payments by the Department of Industry under the scheme for assisting steelworkers made redundant since January 1973 to train for other employment. Up to half the cost will be reimbursed from the EEC budget and these receipts will be credited to "Contributions to the European Communities etc (net)" under Programme 2.

International trade

Export promotion and trade co-operation

35. This covers the Export Promotion programme, directed by the British Overseas Trade Board, and subscriptions to international trade organisations. The greater part of the expenditure represents assistance to British firms exhibiting at overseas trade fairs, but also covers a number of other export promotion services including assistance to overseas marketing, research and education and training for overseas trade. Increased receipts are forecast from 1975-76 to take account of increased rentals for space at trade fairs.

Refinancing of fixed rate export credits

36. The Export Credits Guarantee Department (ECGD) 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 non-interest-bearing sterling "sight" deposits. A similar arrangement exists for ship-building (see paragraph 26 above). The figures are considerably higher, particularly in the later years, than those in Cmnd 5879 reflecting the increase in export advances which will result from the higher level of business recently insured and expected future increases in business and advances. The figure for 1975-76 includes provision for ECGD to take over the remainder of a block of refinancing provided by the Issue Department of the Bank of England under previous arrangements.

Cost Escalation Scheme

37. The ECGD is empowered by the Export Guarantees Act 1975 to provide insurance against increases in certain costs of performing export contracts involving major capital goods. This expenditure represents the extent to which both payments under the scheme to exporters (which will not begin before 1977-78), and administration costs are expected to exceed the income from premia. The forecasts of expenditure are subject to considerable uncertainty since they depend on the rate of cost increases, the

demand for the scheme, and the extent to which exporters are successful in winning overseas contracts.

Regulation of domestic trade and industry and consumer protection

38. Provision is made for expenditure by the Department of Trade for the Patent Office (including expenditure in connection with the setting up of the European Patent Office), and associated international subscriptions; and for the Department's Insurance and Companies Divisions and Insolvency Service. Account is taken of increased income from higher fees for the services provided by the Patent and the Companies Registration Offices.

39. Provision has also been made for a Government loan to the Air Travel Reserve Fund Agency under the Air Travel Reserve Fund Act 1975; and for grant assistance to the Steering Group on Inflation Accounting set up following the report of the Sandilands Committee on Inflation Accounting (Cmnd 6225).

40. The forecasts also include expenditure by the Department of Prices and Consumer Protection (DPCP) on the Monopolies and Mergers Commission, the National Consumer Council, the National Council of Social Service and other services for the protection of the consumer. As indicated in "The Attack on Inflation" (Cmnd 6151, para 32) additional funds have been made available to finance more consumer advice centres, to give further support to Citizens' Advice Bureaux, and for local price comparisons. Provision is also made for work on standards and quality assurance, the latter including the grant-in-aid to the British Standards Institution, and the cost of the Metrication Board.

41. Included in DPCP programmes for the first time is the cost of five Nationalised Industry Consumer Councils covering domestic coal, electricity, gas, Post Office and transport; the grant-in-aid to the Royal Society for the Prevention of Accidents; and expenditure on research on the safety of consumer goods. Responsibility for the last two items has been transferred from other departments.

42. Lastly, the programme provides for the statutory functions of the Office of Fair Trading with respect to monopolies and mergers, restrictive trade practices, consumer protection and consumer credit. Expenditure incurred in the administration of the Consumer Credit Act will be met from fees.

Functioning of the labour market

43. 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. It includes expenditure by local authorities on the Careers Service. The expenditure of the Commission and its two executive arms, the Employment Service Agency (ESA) and the Training Services Agency (TSA), is financed by grant-in-aid.

44. Certain schemes for training, employment transfer, rehabilitation of the handicapped and career development of young people are eligible for assistance from the European Social Fund. These receipts are taken into account in "Contributions to the European Communities etc (net)" in Table 2.2.

Manpower Services Commission

45. The Commission is directly responsible for carrying out its function within a general policy framework agreed with the Secretary of State for Employment. Additional resources have been made available to the Commission in 1975-76 and 1976-77 to provide improved and expanded employment and training facilities to mitigate the effects of higher unemployment. The Commission is also undertaking, on behalf of the Department, the operation of the Job Creation Programme which aims to provide short term jobs of social value for unemployed persons and particularly for unemployed young people.

Employment services and employment rehabilitation

46. The main expenditure is on the placing service of the ESA. An important element in the Agency's plans for improving its services to the labour market and to employers and job seekers is the programme for establishing jobcentres in place of traditional Employment Exchanges. Some 70 jobcentres were opened by the end of 1974-75 and the scale of their activities continues to rise significantly. The programme for 1975-76 and 1976-77 has been accelerated and it is expected to open 250 jobcentres in the course of those years and to continue at about 100 centres a year until 1980. Improvements to the service are also being achieved by increasing the professionalism of employment advisers, by appropriate specialisation and by improving organisation. Specialised placing services are provided for disabled persons within the employment services together with rehabilitation facilities for about 14,000 persons a year in various types of Employment Rehabilitation Centres. Professional and Executive Recruitment (PER) aims to achieve financial self sufficiency in the forecast period.

47. The following table gives figures for past years and projected figures for future years of vacancies notified, registrations and placings. Changes in labour market conditions significantly affect the year to year results and the figures for future years cannot take account of these variations. The projections assume a steady improvement which is expected to flow from the development of ESA services.

| | 1970-71 | 1971-72 | 1972-73 | 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Thousands | | | | | | | | | | |
| 1. Employment Services Agency (other than PER) | | | | | | | | | | |
| (i) Vacancies notified | 2,200 | 1,900 | 2,100 | 2,700 | 2,500 | 2,600 | 2,700 | 2,800 | 2,900 | 3,000 |
| (ii) Registrations ... | 4,300 | 4,400 | 4,100 | 3,900 | 4,400 | 4,600 | 4,700 | 4,800 | 4,900 | 5,000 |
| (iii) Placings ... | 1,500 | 1,300 | 1,400 | 1,600 | 1,600 | 1,700 | 1,800 | 1,900 | 2,000 | 2,100 |
| 2. Professional and Executive Recruitment | | | | | | | | | | |
| (i) Vacancies notified | 33 | 35 | 44 | 54 | 40 | 35 | 37 | 40 | 42 | 44 |
| (ii) Registrations ... | 84 | 109 | 118 | 121 | 143 | 160 | 160 | 165 | 170 | 170 |
| (iii) Placings ... | 13 | 12 | 10 | 8 | 8 | 10 | 11 | 12 | 13 | 13 |

48. As part of the Government's special measures for alleviating higher unemployment, the grants and facilities under the Employment Transfer Scheme have been considerably enhanced as a means of assisting labour mobility in 1975-76 and 1976-77. These improvements are reflected in the increased numbers of persons expected to be assisted to transfer in future years as shown in the following table.

| | | | | | | | Thousands | | | | |
|--------------------|--------|---------|---------|---------|---------|---------|-----------|---------|---------|---------|---------|
| | | 1970-71 | 1971-72 | 1972-73 | 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
| Transfer Schemes | | | | | | | | | | | |
| (i) Assisted Areas | | 5.2 | 5.2 | 15.0 | 14.0 | 12.7 | 14.5 | 20.5 | 19.0 | 19.0 | 19.0 |
| (ii) Other Areas | ... | 2.0 | 3.2 | 3.6 | 2.0 | 2.4 | 2.5 | 4.0 | 3.5 | 3.5 | 3.5 |
| Total | | 7.2 | 8.4 | 18.6 | 16.0 | 15.1 | 17.0 | 24.5 | 22.5 | 22.5 | 22.5 |

49. Responsibility for the Careers Service has now passed to local authorities in England, Wales and Scotland. Provision has however been made for grants to local authorities to strengthen the Service and for payment to employers of a recruitment subsidy for school leavers in 1975-76 and 1976-77.

Industrial training

50. The TSA is responsible for carrying out industrial training policy mainly through the Training Opportunities Scheme. Adult training is provided in Skillcentres, colleges of further education, employers' establishments, residential colleges for the disabled and other institutions. The average length of the courses varies according to the establishment and the type of course. In Skillcentres courses last on the average for about 28 weeks but the majority of courses are slightly shorter. In colleges of further education most courses last for two terms or about 26 weeks and in employers' establishments for about 10 weeks. The following table shows the number of people trained, and expected to be trained in these three types of establishment.

| | | | | | | | Thousands | | | | |
|------------------------------------|--------|---------|---------|---------|---------|---------|-----------|---------|---------|---------|---------|
| | | 1970-71 | 1971-72 | 1972-73 | 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
| Number Trained | | | | | | | | | | | |
| (i) Skillcentres | ... | 12.5 | 13.6 | 15.8 | 17.1 | 17.3 | 20 | 23 | 25 | 27 | 30 |
| (ii) Colleges of Further Education | ... | 1.0 | 2.1 | 9.5 | 17.8 | 25.5 | 33 | 47 | 47 | 50 | 54 |
| (iii) Employers' Establishments | | — | 0.7 | 6.0 | 5.4 | 6.7 | 9 | 10 | 10 | 10 | 10 |
| Total | | 13.5 | 16.4 | 31.3 | 40.3 | 49.5 | 62 | 80 | 82 | 87 | 94 |

51. The TSA also encourages the development of training in industry by funding the administrative expenses of Industrial Training Boards, by grant aiding the costs of certain of their key training schemes and by meeting the cost of providing training services to sectors of employment not covered by Industrial Training Boards.

52. Additional provision has been made to assist apprentice and other training in a variety of ways in 1975-76 and 1976-77 and to increase significantly the volume of direct training during a period of high unemployment.

Redundancy Fund payments

53. Payments were made from the Fund to 210,000 people in 1974-75 compared with 388,000 in 1971-72, 262,000 in 1972-73 and 157,000 in 1973-74.

The forecasts assume a level of payments in 1975-76 similar to that in 1971-72 and a gradual reduction thereafter. They also include the additional expenditure arising from the provision of the Employment Protection Act for safeguarding sums due to employees in cases where employers are insolvent.

Industrial relations and other labour market services

54. This heading covers the cost of Department of Employment staff engaged on general manpower, economic policy (manpower), industrial relations and incomes together with the Advisory, Conciliation and Arbitration Service (ACAS), the Office of Manpower Economics, an employment appeal tribunal and industrial tribunals. Under the provisions of the Employment Protection Act ACAS was set up as statutory body financed by a grant-in-aid from 1 January 1976 and the Central Arbitration Committee and the Certification Officer from 1 February 1976. Provision is also made for continuing and expanding the Community Industry scheme which employs previously unemployed young people on tasks of social value. An expansion to 3,000 places is planned for 1975-76 and a further 1,000 places are being added temporarily in 1976-77 to mitigate the effects of higher unemployment.

Central and miscellaneous services

55. This heading covers 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.

56. The heading also covers Department of Employment expenditure on services for seriously disabled people, the Health and Safety Commission, international relations work (mainly the subscription to the International Labour Office), the Royal Commission on the Distribution of Income and Wealth and central and common services not attributable to other employment programmes.

57. Services to seriously disabled persons consist mainly of grants towards the cost of Remploy Limited, local authorities and other bodies which provided employment under sheltered conditions. The average number of workers covered are as follows:—

| | 1970-71 | 1971-72 | 1972-73 | 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| (i) Remploy Ltd. ... | 7.5 | 7.6 | 8.0 | 8.0 | 8.2 | 8.4 | 8.6 | 8.7 | 8.8 | 9.0 |
| (ii) Local authorities and voluntary bodies ... | 4.8 | 4.8 | 4.7 | 4.8 | 4.9 | 4.9 | 5.0 | 5.1 | 5.2 | 5.3 |
| Total ... | 12.3 | 12.4 | 12.7 | 12.8 | 13.1 | 13.3 | 13.6 | 13.8 | 14.0 | 14.3 |

Thousands

The main policy aims set out in the consultative document *Sheltered Employment for Disabled People* have commanded wide support and the Government has decided that these aims will best be achieved by the Manpower Services Commission taking over administration and co-ordinating functions in this field.

58. Since the inception of both the Health and Safety Commission and Executive the Commission has been engaged in bringing together the various inspectorates concerned with occupational safety and health services and in planning work related to the new responsibilities placed on it by the Health and Safety at Work Act 1974 which extended the protection of the Act to some 8 million employees not previously covered.

The heading covers the cost of Department of Employment and Industrial Relations (and former Economic Policy) (and former Industrial Relations) and incomes together with the Advisory, Conciliation and Arbitration Service (ACAS), the Office of Manpower Economics, an employment appeal tribunal and industrial tribunals. Under the provisions of the Employment Protection Act 1976 was set up as a statutory body financed by a grant-in-aid from 1 January 1976 and the Central Arbitration Committee and the Conciliation Officer from 1 February 1976. Provision is also made for continuing and expanding the Community Industry scheme which employs previously unemployed young people on tasks of social value. An expansion to 3,000 places is planned for 1975-76 and a further 1,000 places are being added temporarily in 1976-77 to mitigate the effects of higher unemployment.

The heading covers the cost of the Department of Trade and Industry, including the Department of Energy, the Department of Industry, including Regional Offices, together with those of the Department of Trade and Prices and Consumer Protection, and the expenses of the Price Commission. Also included are expenditures on international postal and telecommunications organisations, systems in the area of international telecommunications, and other international services. The heading also covers Department of Employment expenditure on services for seriously disabled people, the Health and Safety Commission, international labour work (mainly the subscription to the International Labour Office), the Royal Commission on the Distribution of Income and Wealth and central and common services not attributable to other employment programmes.

Services to seriously disabled persons consist mainly of grants towards the cost of Manpower Limited, local authorities and other bodies which provided employment under sheltered conditions. The average number of workers covered are as follows:

| Year | Manpower Limited | | Local authorities | | Other bodies | |
|---------|------------------|-----------------------|-------------------|-----------------------|--------------|-----------------------|
| | (i) Number | (ii) Cost (£ million) | (i) Number | (ii) Cost (£ million) | (i) Number | (ii) Cost (£ million) |
| 1974-75 | 12,370 | 127.1 | 11,300 | 138.0 | 11,300 | 159.0 |
| 1975-76 | 12,370 | 127.1 | 11,300 | 138.0 | 11,300 | 159.0 |
| 1976-77 | 12,370 | 127.1 | 11,300 | 138.0 | 11,300 | 159.0 |

The main policy aim set out in the consultative document 'Sheltered Employment for Disabled People' have commanded wide support and the Government has decided that these aims will best be achieved by the Manpower Services Commission taking over administration and co-ordinating functions in this field.

2. NATIONALISED INDUSTRIES

| 1972-73 | 1971-72 | 1970-71 | 1969-70 | 1968-69 | 1967-68 |
|---------|---------|---------|---------|---------|---------|
| 114.0 | 112.4 | 112.1 | 112.1 | 112.1 | 112.1 |
| 139.0 | 137.0 | 137.0 | 137.0 | 137.0 | 137.0 |
| 187.7 | 187.7 | 187.7 | 187.7 | 187.7 | 187.7 |
| 193.8 | 193.8 | 193.8 | 193.8 | 193.8 | 193.8 |
| 237.8 | 237.8 | 237.8 | 237.8 | 237.8 | 237.8 |
| 243.7 | 243.7 | 243.7 | 243.7 | 243.7 | 243.7 |
| 259.7 | 259.7 | 259.7 | 259.7 | 259.7 | 259.7 |
| 264.7 | 264.7 | 264.7 | 264.7 | 264.7 | 264.7 |
| 287.7 | 287.7 | 287.7 | 287.7 | 287.7 | 287.7 |
| 300.7 | 300.7 | 300.7 | 300.7 | 300.7 | 300.7 |
| 303.7 | 303.7 | 303.7 | 303.7 | 303.7 | 303.7 |
| 304.7 | 304.7 | 304.7 | 304.7 | 304.7 | 304.7 |
| 305.7 | 305.7 | 305.7 | 305.7 | 305.7 | 305.7 |
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| 395.7 | 395.7 | 395.7 | 395.7 | 395.7 | 395.7 |
| 396.7 | 396.7 | 396.7 | 396.7 | 396.7 | 396.7 |
| 397.7 | 397.7 | 397.7 | 397.7 | 397.7 | 397.7 |
| 398.7 | 398.7 | 398.7 | 398.7 | 398.7 | 398.7 |
| 399.7 | 399.7 | 399.7 | 399.7 | 399.7 | 399.7 |
| 400.7 | 400.7 | 400.7 | 400.7 | 400.7 | 400.7 |

(1) From 1975-76 onwards certain replacement expenditure (currently about £42 million a year), which was formerly included in fixed investment, has been transferred to current account. In order to facilitate comparison figures in this table recording BOC investments in fixed assets in earlier years have been recalculated to exclude replacement expenditure.

Nationalised industries... (The text continues with detailed notes on the data, including references to the White Paper and the new provision for the British National Oil Corporation.)

5. NATIONALISED INDUSTRIES

TABLE 2.5

| | 1970-71 | 1971-72 | 1972-73 |
|---|----------------|----------------|----------------|
| Expenditure on fixed assets | | | |
| National Coal Board | 124.1 | 125.4 | 114.0 |
| Electricity Council and Boards | 683.0 | 620.0 | 595.0 |
| North of Scotland Hydro Electric Board | 22.7 | 24.9 | 25.1 |
| South of Scotland Electricity Board | 117.9 | 113.5 | 107.7 |
| British Gas Corporation ⁽¹⁾ | 306.6 | 206.0 | 135.8 |
| Total Fuel | 1,254.3 | 1,089.8 | 977.6 |
| British Steel Corporation | 247.0 | 370.0 | 281.0 |
| Post Office | | | |
| Telecommunications | 660.6 | 742.4 | 824.3 |
| Posts and Other | 75.1 | 57.8 | 42.8 |
| British Airways Board | 159.6 | 144.3 | 66.7 |
| British Airports Authority | 16.5 | 18.5 | 19.5 |
| Total Airways and Airports | 176.1 | 162.8 | 86.2 |
| British Railways Board | 178.1 | 148.7 | 167.4 |
| British Transport Docks Board | 22.1 | 20.5 | 13.0 |
| British Waterways Board | 1.1 | 1.3 | 1.7 |
| Transport Holding Company | 0.7 | 0.7 | 0.5 |
| National Freight Corporation | 38.5 | 22.7 | 16.8 |
| National Bus Company | 22.1 | 22.0 | 19.7 |
| Scottish Transport Group | 5.5 | 4.4 | 8.7 |
| Total Surface Transport Industries | 268.1 | 220.3 | 227.8 |
| Total Expenditure on Fixed Assets | 2,681.2 | 2,643.1 | 2,439.7 |
| Shortfall | — | — | — |
| Total After Deduction of Shortfall | 2,681.2 | 2,643.1 | 2,439.7 |
| Less: Sales of Fixed Assets | -91.7 | -117.2 | -109.7 |
| Gross Domestic Fixed Capital Formation | 2,589.5 | 2,525.9 | 2,330.0 |
| British Rail Infrastructure | — | — | — |
| Contributions from local authorities and Local Transport Executives | — | — | — |
| Other Capital Expenditure | 79.7 | 28.0 | 189.3 |
| British National Oil Corporation | — | — | — |
| Total | 2,669.2 | 2,553.9 | 2,519.3 |
| Changes from Cmnd 5879 revalued... | | | |
| Cmnd 5879 revalued | | | |

(1) From 1975-76 onwards certain replacement expenditure (currently about £45 million a year), which was formerly included in fixed investment, has been transferred to current account. In order to facilitate comparison, figures in this table recording BGC's investments in fixed assets in earlier years have been recalculated to exclude replacement expenditure.

Nationalised industries

1. Leaving aside the new provision for the British National Oil Corporation, total expenditure by the nationalised industries is down in each of the years 1976-77 to 1978-79 by comparison with the forecasts in last year's White Paper. It is higher in 1975-76 when there is increased expenditure of £280 million on stocks (shown under "Other Capital Expenditure"), mainly as the result of the

CAPITAL EXPENDITURE

£ million at 1975 Survey prices

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------|---------|---------|---------|---------|---------|---------|
| 99.3 | 161.0 | 188.5 | 219.3 | 242.1 | 242 | 241 |
| 564.0 | 572.4 | 658.0 | 619.6 | 598.6 | 629 | 718 |
| 22.3 | 36.5 | 73.8 | 74.4 | 53.9 | 31 | 21 |
| 88.6 | 71.4 | 70.7 | 79.7 | 106.4 | 144 | 170 |
| 149.5 | 219.9 | 297.6 | 212.7 | 223.0 | 232 | 208 |
| 923.7 | 1,061.2 | 1,288.6 | 1,205.7 | 1,224.0 | 1,278 | 1,358 |
| 265.0 | 355.0 | 460.0 | 501.0 | 545.0 | 588 | 593 |
| 848.8 | 802.9 | 816.0 | 809.0 | 809.0 | 809 | 809 |
| 35.9 | 40.1 | 60.9 | 74.0 | 73.0 | 67 | 70 |
| 94.5 | 107.0 | 126.4 | 133.8 | 117.6 | 98 | 112 |
| 25.7 | 26.2 | 34.4 | 31.5 | 31.1 | 26 | 28 |
| 120.2 | 133.2 | 160.8 | 165.3 | 148.7 | 124 | 140 |
| 184.0 | 206.6 | 242.2 | 258.6 | 262.3 | 260 | 266 |
| 13.3 | 9.5 | 12.2 | 14.5 | 12.8 | 14 | 13 |
| 1.2 | 1.4 | 1.7 | 1.7 | 1.7 | 2 | 2 |
| — | — | — | — | — | — | — |
| 29.1 | 28.5 | 38.0 | 38.0 | 38.0 | 38 | 38 |
| 26.0 | 21.9 | 30.8 | 30.8 | 30.8 | 31 | 31 |
| 8.2 | 7.6 | 7.2 | 7.2 | 7.2 | 7 | 7 |
| 261.8 | 275.5 | 332.1 | 350.8 | 352.8 | 352 | 357 |
| 2,455.4 | 2,667.9 | 3,118.4 | 3,105.8 | 3,152.5 | 3,218 | 3,327 |
| — | — | -150.0 | -200.0 | -300.0 | -300 | -300 |
| 2,455.4 | 2,667.9 | 2,968.4 | 2,905.8 | 2,852.5 | 2,918 | 3,027 |
| -103.4 | -58.8 | -54.7 | -41.8 | -50.1 | -45 | -41 |
| 2,352.0 | 2,609.1 | 2,913.7 | 2,864.0 | 2,802.4 | 2,873 | 2,986 |
| — | — | -86.0 | -91.5 | -90.7 | -90 | -89 |
| — | — | -29.8 | -39.9 | -43.6 | -41 | -50 |
| -71.1 | 212.8 | 360.3 | 67.3 | -21.5 | 47 | 60 |
| — | — | 200.0 | 250.0 | — | — | — |
| 2,280.9 | 2,821.9 | 3,358.2 | 3,049.9 | 2,646.6 | 2,789 | 2,907 |
| | +223.2 | +503.4 | +77.4 | -249.2 | -324 | |
| | 2,598.7 | 2,854.8 | 2,972.5 | 2,895.8 | 3,113 | |

decisions to stockpile coal and steel. Experience shows that overall actual expenditure turns out to be less than forecast and so there is, as in previous White Papers, a global deduction for shortfall in each year on the total programme of expenditure on fixed assets.

2. The new forecasts provide for expenditure on fixed assets to remain at around the same level from 1976-77 to 1978-79 and then to grow a little in

1979-80. However, within the totals the programmes of individual industries show some important changes as a result of this year's review. Further provision has now been made for the modernisation of the coal industry in accordance with "Plan for Coal". Capital investment for the generation of electricity in England and Wales is to be reduced substantially; the latest forecasts of demand in the early 1980s mean that fewer new power-stations need be started in the mid-1970s. The modernisation programme for the steel industry, which got off to a slow start, is expected to go ahead faster in the last three years of the period and increased provision has been made. Investment in telecommunications is likely to be lower as a result of slackening demand: the figures will be kept under review in the light of market forecasts but in the meantime they are put at a constant level. Similarly, investment in British Railways is to be held steady, outside the areas of passenger transport authorities.

3. Following acceptance by the National Economic Development Council of a report on nationalised industry investment by a joint departmental/industry working party, the Government took steps to improve the procedures for approving nationalised industry programmes. The aim is to give greater certainty to the industries, and in turn to their suppliers, about future programmes, and so far as possible to achieve greater stability in levels of investment and greater confidence among suppliers. This year nearly all industries were given approval to their capital programmes in the autumn, and were authorised to commit up to 100 per cent of approved expenditure in 1976-77, 85 per cent of approved expenditure in 1977-78 and 70 per cent in 1978-79; figures for 1979-80 remain planning figures. It is intended to follow a similar timetable and procedure in future years.

Aircraft and shipbuilding

4. No provision is included at this stage for expenditure by British Aerospace and British Shipbuilders, which will be established subject to the passage of the Aircraft and Shipbuilding Industries Bill now before Parliament. It is too early to assess what the capital expenditure of the two corporations will be. This expenditure will become a call on the contingency reserve when estimates are available after the Organising Committees have considered their future plans. Preliminary indications are that the total capital expenditure, including additions to stocks and work in progress, for both corporations together might be as follows:

| | £ million at 1975 Survey prices | | | |
|--|---------------------------------|---------|---------|---------|
| | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
| | 30 | 50 | 60 | 70 |

The figures do not include expenditure on R & D, which is of particular significance for British Aerospace, because it is not classified as capital expenditure.

Fuel

Coal

5. There are two substantial changes in the estimates of capital expenditure by the National Coal Board (NCB). First, they are no longer providing for investment in NCB (Exploration) Ltd. This company is engaged in the development of North Sea oil and gas fields and was acquired by the British National Oil Corporation in January 1976. Secondly, the remaining programme provides

for total expenditure in the period 1975-76 to 1978-79 of £892 million compared with £536 million in Cmnd 5879. This increase results from a more detailed costing of the mining programme set out in the NCB's Plan for Coal. The aim is to provide new capacity of 42 million tons a year by 1985—22 million tons by expanding existing capacity and 20 million tons from new pits.

6. In addition to expenditure on fixed assets, there is provision for additional working capital of about £165 million to finance an increase in stocks in 1975-76. Financial assistance for the Board's current account is described in Chapter 4, (paragraphs 32 and 33).

Electricity

7. The programme has been prepared in the light of the forecast made by the Electricity Council and the Scottish Electricity Boards last April that the simultaneous maximum demand would reach 63 thousand MW in 1981-82; compared with the 1974 forecast of 65.1 thousand MW by 1979-80. The latest figure reflects a further reduction in electricity demand growth consequent upon the current reduction in industrial activity, higher energy prices (in line with the Government's objective to restore energy prices to realistic levels as soon as possible), and moves towards energy conservation.

8. This level of demand, plus a 20 per cent planning margin to cover, eg, the risk of plant breakdowns in cold weather when demand is at its highest, can be met from the power stations now in service and those under construction. This capital investment programme therefore provides for reduced ordering in the early part of the period.

9. The programme of expenditure on transmission and distribution has similarly been revised by the Boards since last year. This expenditure is more closely related to forecasts of local demand and economic activity two or three years ahead and is sensitive to new housing and industrial development such as the North Sea Oil related development in Scotland.

Gas

10. Current North Sea fields are producing at or near their plateau rate, and no large increases in supplies to consumers will be available until the arrival of gas from the Frigg field, probably in late 1977, followed by oil-associated gas from the Brent field about 2-3 years later. Sales in recent years, and indications of possible sales for future years, are as follows:

| | | million therms | | | | | | |
|----------------|-----|----------------|---------|---------|---------|---------|---------|---------|
| | | 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
| Domestic ... | ... | 5,035 | 5,710 | 6,000 | 6,500 | 7,000 | 7,500 | 8,000 |
| Commercial ... | ... | 1,153 | 1,301 | 1,500 | 1,600 | 1,800 | 2,000 | 2,200 |
| Industrial ... | ... | 5,299 | 5,921 | 6,000 | 6,000 | 6,500 | 7,200 | 7,800 |
| Total gas sold | ... | 11,487 | 12,932 | 13,500 | 14,100 | 15,300 | 16,700 | 18,000 |
| | | 27 | 30 | 32 | 33 | 36 | 39 | 42 |
| | | | | 51 | | | | |

Sales of gas during 1974-75 were 12-13 per cent higher than in the previous year in the domestic, commercial and industrial markets. Estimates of sales during 1975-76 have been revised downwards since Cmnd 5879 mainly because of the reduced levels of industrial activity. Reductions in forecasts for later years reflect the delays in bringing in new offshore supplies.

11. There are no significant changes in the industry's investment programme compared with that set out in Cmnd 5879. There will be a reduction in expenditure in 1976-77 as a result of early pipe deliveries and a corresponding increase in expenditure in 1975-76. The footnote to Table 2.5 refers to a change in the accounting treatment of replacement expenditure: this involves no change in the level of such expenditure.

British National Oil Corporation (BNOC)

12. Cmnd 5879 showed no estimates for capital expenditure by BNOC, since the Petroleum & Submarine Pipelines Bill had not been introduced and planning for BNOC's activities was at a very early stage. Information and policy decisions on which to base estimates for BNOC in the later years of the Survey period (i.e. from 1977-78 onwards) are not available, and provision for these years will be a charge on the contingency reserve.

13. The BNOC was established on 1st January 1976, and on that date acquired the shareholding in NCB (Exploration) Limited. That Company's ongoing exploration and development expenditure for the whole of the current financial year are included in the total for 1975-76, together with an estimate of the cost of BNOC's possible acquisition of the North Sea interests of the Burmah Oil Company, and of the ongoing expenditure on their further development.

14. The estimates for 1976-77 cover the cost of continuing exploration and development work by NCB (Exploration) Limited, and commitments to the development of the North Sea fields which may be acquired from Burmah.

15. It is difficult to estimate BNOC's capital requirements under participation agreements in relation to existing and future licenses or on other activities whether in its own right or in joint operations. But some provision has been made for participation in 1976-77, and anything beyond this will represent a claim on contingency reserve.

Steel

16. The British Steel Corporation's (BSC) capital investment programme for 1975-76 to 1979-80 represents the middle phase of the 10 year Development Strategy announced in February 1973 (Cmnd 5226).

17. The two reports so far made by the Government on its review of proposed BSC closures have modified certain details of the Development Strategy but have not altered the broad outlines. Decisions have now been announced on most of the proposed closures, though some significant issues are still being considered.

18. The major programme of capacity modernisation and expansion on which the BSC is now engaged is aimed at improving the international competitiveness of the UK steel industry. Among the key developments in the period 1975-76 to 1979-80 will be the completion of the major scheme to expand steelmaking at Ravenscraig and of the first phases of new construction at Redcar (for ironmaking). Some modernisation is already in hand at Port Talbot; the full extent of new investment there is still under consideration. Developments at Scunthorpe, where the Anchor project is now complete, will provide for an increase in bloom and billet production, while other schemes will expand production of tinplate (at Ebbw Vale) and stainless steel flat products (in the Sheffield area). Further investment to take place in Scotland in addition to current developments at Ravenscraig, totalling over £100 million, was confirmed in the closures review statement on 6 August 1975, including an expansion of electric arc steelmaking capacity. Part of this new capacity will be sited at Hunterston, alongside the ore terminal and the direct reduction plant. These and other developments are expected to bring the BSC's total annual steel-making capacity to just over 30 million tonnes by the end of the decade.

19. A reduction of £30 million was made in the BSC's forecast of capital expenditure for 1976-77 as a result of the measures announced in the April 1975 Budget statement, giving the present forecast of £501 million for that year.

20. In the four years 1975-76 to 1978-79 total expenditure on the programme is expected to be some 6 per cent higher than was forecast in Cmnd 5879. This increase results mainly from a more detailed appraisal of individual investment schemes and of estimated plant costs. The expenditure levels forecast for 1975-76 and 1976-77 are lower than those shown in Cmnd 5879, while the levels for 1977-78 and 1978-79 are higher, reflecting the BSC's reassessment of the phasing of the programme.

Post Office

21. The Secretary of State for Industry announced on 12 December 1975 that Mr. C. F. Carter will chair a comprehensive Committee of Review of the Post Office. This Committee will examine among other things the use which the Post Office makes of its resources and assets and will assess the policies, prospects and social significance of the postal business, including methods of financing it as a self-supporting public service.

Telecommunications

22. The forecasts in Cmnd 5879 included provision for an investment programme rising from £815 million in 1975-76 to nearly £890 million in 1978-79. The present programme is at a level of £809 million from 1976-77 onwards. This reduction mainly reflects lower expectations of general economic growth; but it also takes account of the need in the early part of the period to reduce surplus capacity installed or ordered in response to inflated levels of demand resulting from Government price restraint policies from 1971 to 1974. The Post Office will keep the programme under review in 1976 in the light of market forecasts.

23. The longer term prospect is for slower growth in the basic telephone system from the end of the decade. But there will be a growing requirement to

replace old equipment and to make reasonable provision for new services which advances in telecommunications technology will make possible.

The table below gives some relevant statistics:

| | 1970-71 | 1974-75 | 1979-80 |
|--|---------|---------|---------|
| Size of System (thousands) | | | |
| Working telephone connections | 9,214 | 12,698 | 16,900 |
| Working telex connections... .. | 33 | 55 | 88 |
| Data transmission terminals | 13 | 31 | 38 |
| Telephones per 100 population | 27 | 37 | 48 |
| Telephone calls (millions) (<i>effective calls</i>) | | | |
| Inland | 10,747 | 15,836 | 21,900 |
| Overseas | 40 | 73 | 191 |
| Telephone calls per head of population | 196 | 286 | 395 |

About one third of the investment is for exchange equipment, including expenditure on modernisation, and on new and enlarged international exchanges to relieve congestion and meet the continuing increase in international telecommunications traffic.

24. The two large tariff increases in 1975 will restore telecommunications to profitability and the Government intends to set a new financial target for the business. This will reflect the need for the Post Office to make a very substantial contribution from its own resources to the financing of telecommunications investment—the largest single nationalised industry programme.

Posts

25. The investment programme on the postal side is in line with that in Cmnd 5879. About 70 per cent is on building, 20 per cent on mechanisation to reduce the postal service's dependence on labour and the rest mainly on vehicles.

| | 1970-71 | 1974-75 | 1979-80 |
|---|---------|---------|---------|
| Mail traffic (thousand million items) ... | 10.7 | 11.1 | 9.8 |

In accordance with Government policy the Post Office will seek to achieve a revenue surplus for the postal business in 1976-77.

Airways and airports

British Airways Board

26. The capital investment programme of the British Airways Board consists mainly of buying aircraft. European Division are continuing with the expansion of their Lockheed TriStar fleet: two are being delivered in 1975-76 and a further two are due to be delivered in 1976-77. Six more aircraft of this type have been ordered for delivery after 1978, bringing the total to fifteen. Overseas Division will be taking delivery of their eighteenth Boeing 747 in the early part of 1976-77. The following year will see the introduction of Rolls-Royce powered Boeing 747s into the fleet and deliveries will commence in April 1977. The first Concorde was introduced into service in January 1976 and all five are expected to be delivered by early 1977.

27. The number of passengers carried by British Airways, after increasing substantially between 1970-71 and 1973-74, showed a reduction of some 7 per cent in 1974-75 compared with the previous year:

| | 1970-71 | 1971-72 | 1972-73 | 1973-74 | 1974-75 |
|--|---------|---------|---------|---------|---------|
| Million passengers | 11.7 | 12.2 | 13.3 | 14.4 | 13.3 |
| Percentage increase/decrease on previous year | 2.6 | 4.2 | 9.0 | 8.4 | -7.1 |

28. The figures in Table 2.5 show a substantial reduction in expenditure for 1975-76 compared with Cmnd 5879. This follows from the general reduction in capacity needs which in turn has been brought about by the fuel crisis and lower economic growth throughout the world. Some expenditure has been deferred, and this accounts for an increase in expenditure in 1976-77 compared with Cmnd 5879. A small reduction in expenditure is now foreseen in the two years 1977-1979.

British Airports Authority

29. The British Airports Authority (BAA) investment programme is determined by the forecast growth of traffic at the Authority's airports, of which three are in the London area and four in Scotland. Most of the investment will be at Heathrow and Gatwick but the present development programme provides capacity for forecast traffic only to the early or mid-1980s; it does not anticipate any of the possible longer term developments at the London airports referred to in the Government's "Consultation Document: an Airport Strategy for Great Britain, Part I The London Area".

30. Earlier forecasts of air traffic growth have been drastically reduced as a result of the rise in aircraft fuel prices and because of the general economic situation. The table below sets out the assumptions (in terms of passenger throughputs) on which the capital investment programme is based; also shown are actual figures for the previous 5 years which include Glasgow and Aberdeen airports, although these were only taken over by the BAA in 1975.

| Terminal passengers (millions, to nearest half million) | | | | | |
|---|---------|---------|---------|---------|---------|
| | 1970-71 | 1971-72 | 1972-73 | 1973-74 | 1974-75 |
| Actual | 22.5 | 25 | 28 | 30 | 29 |
| | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
| Estimated | 29 | 29 | 30 | 33 | 36 |

31. The BAA's forecast capital expenditure in the period to 1979-80 is £174 million, which in real terms represents a significant reduction in the five year forecast in Cmnd 5879. The reduction has been made possible largely by deferring projects in line with revised traffic forecasts. But essential work at, in particular, Aberdeen airport which is handling an increasing amount of North Sea oil traffic, has not been delayed.

Surface Transport Industries

British Railways Board

32. Investment by the British Railways Board is to be held steady at the 1976-77 level, outside the areas of the passenger transport authorities.

33. Table 2.5 covers all investment by the Board, including that in commuter railways. Contributions to railway investment by Passenger Transport Executives (PTEs) and local authorities is shown in Table 2.6 and, to avoid double counting, a suitable deduction is made from Table 2.5. The deduction consists of:

- (i) contributions by PTEs included as part of "Local Transport: Capital: Public Transport investment" in Table 2.6:

| 1975-76 | 1976-77 | 1977-78 | 1978-79 | £ million 1979-80 |
|---------|---------|---------|---------|----------------------|
| 29.1 | 38.0 | 40.9 | 38.6 | 46.0 |

- (ii) contributions by local authorities, to British Rail:

| 1975-76 | 1976-77 | 1977-78 | 1978-79 | £ million 1979-80 |
|---------|---------|---------|---------|----------------------|
| 0.7 | 1.9 | 2.7 | 2.6 | 3.2 |

34. Under financial arrangements adopted following the Railways Act 1974 investment by the Board in track and signalling is treated as current expenditure. That part which is attributable to passenger services scores in Table 2.6 under Central Government Subsidies to British Rail as well as in Table 2.5. Again to avoid double counting a corresponding deduction has been made in a separate line at the end of Table 2.5.

British Transport Docks Board

35. The Board has 19 docks which handled 85 million tonnes of freight in 1974. The investment figures include provision for the fish docks at Fleetwood, Lowestoft, Grimsby and Hull; for development at Southampton; and for the acquisition of the Felixstowe Dock and Railway Company.

British Waterways Board

36. The Board are reviewing their long term policy in consultation with the Department of the Environment. In the meantime provision has been made on the same scale as in Cmnd 5879.

National Freight Corporation

37. The Corporation's business forecasts have been severely affected by the current recession and its investment plans have accordingly been reduced to levels below those in Cmnd 5879.

National Bus Company

38. The National Bus Company's subsidiaries, with over 20,000 buses and coaches, operated about 730 million vehicle miles in 1974. Investment levels are those of Cmnd 5879 which were intended to enable the Company to reduce the average age of its vehicle fleet and to catch up with improvements to depot facilities.

Scottish Transport Group

39. The established pattern of capital expenditure by the Group is expected to continue with slightly increasing emphasis on the replacement of buses. The other major expenditure is on the continued development of roll-on/roll-off vehicle ferries and associated terminals for shipping services to the Scottish Islands.

TABLE 2.100 (Contd.)

| | 1971-72 | 1972-73 | 1973-74 | 1974-75 | 1975-76 |
|---|--------------|--------------|--------------|--------------|--------------|
| Other current expenditure | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Maintenance | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Other capital expenditure | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| New construction and improvement | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Highways and trunk roads | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Total | 4.00 | 4.00 | 4.00 | 4.00 | 4.00 |
| Local transport | | | | | |
| Capital: | | | | | |
| Investment by Local Transport Authorities | | | | | |
| Roads—new construction and improvement | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Car parks | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Public transport investment | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Current | | | | | |
| Roads—maintenance | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Car parks | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Other expenditure | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Local authority administration | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Passenger transport subsidies | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| British Rail | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Other | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Concessional fares | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Total | 14.00 | 14.00 | 14.00 | 14.00 | 14.00 |
| Central Government subsidies | | | | | |
| Nationalised industries | | | | | |
| British Rail | | | | | |
| Passenger subsidies | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Freight grant | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Personnel | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Total | 3.00 | 3.00 | 3.00 | 3.00 | 3.00 |
| British Waterways Board | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| National Freight Corporation | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| London Transport Board | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Scottish Transport Group | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| National Bus Company | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Other | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Low fuel grant | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Low bus grants to private operators | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Other Central Government subsidies | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Total | 13.00 | 13.00 | 13.00 | 13.00 | 13.00 |
| Ports and shipping | | | | | |
| Ports | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Shipping | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Total | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 |

6. ROADS AND

TABLE 2.6

| | 1970-71 | 1971-72 | 1972-73 |
|--|--------------|--------------|----------------|
| Motorways and trunk roads | | | |
| New construction and improvement | 449.5 | 385.7 | 356.2 |
| Other capital expenditure | — | — | — |
| Maintenance | 43.8 | 50.3 | 69.5 |
| Other current expenditure | 0.9 | 0.3 | — |
| Total | 494.2 | 436.3 | 425.7 |
| Local transport | | | |
| Capital: | | | |
| Investment by Local Transport Authorities | | | |
| Roads—new construction and improvement | 412.4 | 421.1 | 421.1 |
| Car parks | 39.5 | 30.0 | 27.0 |
| Public transport investment | 66.1 | 57.9 | 114.6 |
| Current | | | |
| Roads—maintenance | 344.6 | 371.4 | 379.9 |
| Car parks | —2.8 | —0.8 | —1.1 |
| Other expenditure | 4.0 | 4.4 | 5.8 |
| Local authority administration | 88.6 | 91.7 | 91.0 |
| Passenger transport subsidies | | | |
| British Rail | — | — | 12.4 |
| Other | 3.5 | 5.3 | 9.0 |
| Concessionary fares | 9.5 | 9.3 | 16.5 |
| Total | 965.4 | 990.3 | 1,076.2 |
| Central Government subsidies | | | |
| Nationalised industries | | | |
| British Rail | | | |
| Passenger subsidies | 117.2 | 105.1 | 123.4 |
| Freight grant | — | — | — |
| Pensions... .. | — | — | — |
| Total | 117.2 | 105.1 | 123.4 |
| British Waterways Board | 4.8 | 5.8 | 6.4 |
| National Freight Corporation | 24.0 | 13.9 | 5.9 |
| London Transport Board | 3.5 | — | — |
| Scottish Transport Group | 1.0 | 0.7 | 1.0 |
| National Bus Company | — | 0.5 | 11.2 |
| Other | | | |
| Bus fuel grants | 41.2 | 37.3 | 33.4 |
| New bus grants to private operators | 0.4 | 0.9 | 3.6 |
| Other Central Government subsidies | 0.3 | 0.4 | 0.2 |
| Total | 192.4 | 164.6 | 185.1 |
| Ports and shipping | | | |
| Ports | 50.7 | 48.7 | 64.8 |
| Shipping | 6.2 | 5.5 | 5.3 |
| Total | 56.9 | 54.2 | 70.1 |

TRANSPORT

£ million at 1975 Survey prices

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------|---------|---------|---------|---------|---------|---------|
| 391.1 | 388.3 | 392.4 | 378.4 | 378.0 | 356 | 358 |
| 0.3 | — | — | — | 0.5 | 1 | — |
| 80.3 | 47.4 | 65.4 | 60.8 | 60.7 | 59 | 60 |
| -0.7 | -0.3 | -0.1 | 1.3 | 0.3 | — | — |
| 471.0 | 435.4 | 457.7 | 440.5 | 439.5 | 416 | 418 |
| 457.4 | 367.4 | 364.9 | 351.9 | 302.7 | 266 | 267 |
| 25.0 | 28.9 | 32.5 | 30.2 | 24.2 | 20 | 19 |
| 106.2 | 117.2 | 130.3 | 139.2 | 135.5 | 126 | 124 |
| 374.5 | 358.2 | 378.7 | 358.1 | 333.6 | 310 | 311 |
| -1.4 | -1.8 | -3.6 | -6.9 | -14.4 | -22 | -22 |
| 7.5 | 8.5 | 7.9 | 9.0 | 9.8 | 10 | 10 |
| 99.3 | 113.6 | 122.8 | 119.6 | 115.6 | 112 | 112 |
| 12.1 | 17.1 | 23.7 | 24.5 | 25.2 | 25 | 25 |
| 19.9 | 115.0 | 134.7 | 102.0 | 81.1 | 60 | 60 |
| 25.8 | 44.3 | 46.5 | 58.0 | 50.8 | 53 | 56 |
| 1,126.3 | 1,168.4 | 1,238.4 | 1,185.6 | 1,064.1 | 960 | 962 |
| 183.2 | 373.0 | 254.0 | 253.3 | 252.6 | 253 | 253 |
| — | — | 69.2 | 39.0 | 14.3 | — | — |
| — | — | 64.9 | 66.7 | 60.2 | 51 | 60 |
| 183.2 | 373.0 | 388.1 | 359.0 | 327.1 | 304 | 313 |
| 7.0 | 7.0 | 8.6 | 8.7 | 9.0 | 9 | 9 |
| 2.4 | — | — | — | — | — | — |
| — | — | — | — | — | — | — |
| 1.0 | 0.8 | 3.5 | 3.5 | 2.7 | 3 | 3 |
| — | — | — | — | — | — | — |
| 29.4 | 43.8 | 37.0 | 33.7 | 32.6 | 28 | 25 |
| 3.9 | 2.9 | 3.9 | 3.9 | 3.9 | 4 | 4 |
| 0.4 | 0.5 | 0.9 | 3.8 | 3.8 | 4 | 4 |
| 227.3 | 428.0 | 442.0 | 412.6 | 379.1 | 352 | 358 |
| 31.1 | 28.7 | 50.7 | 46.4 | 53.3 | 41 | 31 |
| 6.5 | 7.2 | 7.8 | 8.0 | 7.9 | 8 | 7 |
| 37.6 | 35.9 | 58.5 | 54.4 | 61.2 | 49 | 38 |

TABLE 2.6 continued

| | 1970-71 | 1971-72 | 1972-73 |
|---|----------------|----------------|----------------|
| Civil aviation | | | |
| CAA grant in aid | — | — | 38.9 |
| Capital investment by CAA and local authorities | 9.8 | 12.0 | 17.3 |
| Other civil aviation services | 41.4 | 38.0 | 3.5 |
| Total | 51.2 | 50.0 | 59.7 |
| Other transport services | | | |
| Roads and transport administration | 17.5 | 17.8 | 19.6 |
| Other | 2.3 | 2.3 | -0.2 |
| Total | 19.8 | 20.1 | 19.4 |
| VAT paid by local authorities | 10.3 | 11.0 | 11.8 |
| Total roads and transport | 1,790.2 | 1,726.5 | 1,848.0 |
| Changes from Cmnd 5879 revalued | | | |
| Cmnd 5879 revalued | | | |

GENERAL

1. The Government is currently engaged in a comprehensive review of transport policy. Its outcome may in due course require some revision of priorities within this programme. This area however has had to contribute to the general savings.

2. Between 1975-76 and 1978-79, road traffic in Great Britain (which accounted in 1974 for just over 91 per cent of passenger miles and for 65 per cent of all freight-ton miles) is expected to increase by about 10 per cent. Nevertheless, in current circumstances it has been decided to cut back planned expenditure on roads and local transport. In England, total expenditure on roads and local transport was expected in Cmnd 5879 to grow by about 1 per cent between 1975-76 and 1978-79, and is now intended to fall by 23 per cent over that period. In particular, expenditure on both road construction and road maintenance in 1978-79 is to be less than 75 per cent of that planned in Cmnd 5879. In Scotland and Wales, the reductions leave total expenditure on roads and local transport at the same level between 1975-76 and 1978-79, although road construction in these countries (which in Scotland contains a substantial oil-related component) rises by about 6 per cent.

3. In conformity with the Government's general policy on subsidies, previous estimates of support both to buses and to British Railways have also been reduced.

£ million at 1975 Survey prices

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------|---------|---------|---------|---------|---------|---------|
| 38.9 | 34.5 | 41.4 | 29.7 | 17.3 | 11 | 7 |
| 24.6 | 20.9 | 24.9 | 22.1 | 24.4 | 27 | 24 |
| 7.5 | 9.7 | 12.7 | 12.6 | 12.1 | 11 | 11 |
| 71.0 | 65.1 | 79.0 | 64.4 | 53.8 | 49 | 42 |
| 19.6 | 21.2 | 21.7 | 22.1 | 21.7 | 22 | 22 |
| -0.6 | 15.3 | 5.0 | -0.6 | -0.8 | -1 | -1 |
| 19.0 | 36.5 | 26.7 | 21.5 | 20.9 | 21 | 21 |
| 11.6 | 11.6 | 13.7 | 14.0 | 13.6 | 13 | 13 |
| 1,963.8 | 2,180.9 | 2,316.0 | 2,193.0 | 2,032.2 | 1,860 | 1,852 |
| | -92.7 | +23.7 | -132.6 | -323.7 | -506 | |
| | 2,273.6 | 2,292.3 | 2,325.6 | 2,355.9 | 2,366 | |

Motorways and trunk roads: England

Capital expenditure—new construction and improvement

4. The programme is now declining, but there is still a need to improve the general environment and make a positive contribution to economic growth by a continuing programme of improvements and additions to the national road network. Much progress has already been made. Some 1,975 miles of motorway and other high quality roads are open to traffic. The objective remains the completion of some 3,100 miles of high quality roads: but this will now be achieved in the mid rather than the early 1980s. The limited resources available remain concentrated on schemes with a high economic return or with substantial environmental benefit (eg by-passes of historic towns).

Current expenditure—maintenance

5. Reduced future expenditure on road maintenance was announced by the Minister for Transport on 24 July 1975, but care will be taken to avoid long-term damage to the road structure. It is intended that the economies should be concentrated on less heavily trafficked roads to minimise the consequence of reductions in maintenance standards.

Motorways and trunk roads: Scotland

6. The main objectives of the trunk road programme in Scotland are twofold. First the improvement of the trunk roads providing access to oil-related developments, mainly in the North and North East of Scotland (in particular by the reconstruction of the A9 north of Perth). Second, the improvement of the trunk roads serving the industrialised central belt, notably through the

completion of the motorway and dual carriageway network. While the improvement of the oil-related roads remains of first priority, the reductions in planned expenditure mean that development of other parts of the programme will be slowed down.

Motorways and trunk roads: Wales

7. The principal objectives of the Secretary of State remain unchanged. These are the improvement of east/west 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 White Paper.

Local transport: England and Wales

GENERAL

8. This section brings together the transport expenditure for which local authorities are responsible, and reflects the comprehensive approach to grant-aiding local transport expenditure through Transport Supplementary Grants.

9. Each county council in England and Wales (including the GLC) submits annually Transport Policies and Programmes for a five year period. On the basis of these the Secretaries of State decide for each authority the level of expenditure to accept for Transport Supplementary Grant purposes in the first year. Grant is payable on accepted expenditure in excess of a prescribed threshold level. Given the freedom for local authorities to determine priorities within the block grant, the allocation of expenditure within the Local transport section of Table 2.6 can only be indicative of the main trends expected, particularly in the later years.

CAPITAL

Roads—new construction and improvement

10. The substantial reductions referred to above will require the authorities to postpone or abandon the start of many improvements and new roads.

Car parks

11. The Government have concluded that in current circumstances there should be a substantial reduction in the resources allocated to the construction of car parks. By 1978-79 the level is only half of that proposed in Cmnd 5879.

Public transport investment

12. This heading includes all public transport investment by local authorities, Passenger Transport Executives and London Transport Executive. The investment covers purchases of new buses and both renewals and improvements to equipment and infrastructure, such as new rolling stock; and extensions to the London Underground, the Tyneside Rapid Transit System, and bus lanes and bus stations. The investment by local authorities and PTEs in rail services has

been included both here and in Table 2.5 but to avoid double counting it has been deducted from the totals in the latter Table. Certain public transport schemes being carried out by the British Railways Board for which central government grants continue to be paid are included in Table 2.5 without any offset, but not in Table 2.6. Reductions compared with Cmnd 5879 will leave little scope for any major new public transport infrastructure schemes.

CURRENT

Roads—maintenance

13. As with motorway and trunk roads, substantial savings are called for in road maintenance expenditure. These should be concentrated on least-used roads and those where speeds are low, minimising the effect on road safety.

Car parks

14. The Government consider that the revenue from car parking should be sufficient to meet not only running expenses but also interest and loan repayments (or depreciation) on capital, so that car parking is not subsidised by the rates. The figures therefore assume that the expected excess of gross income over running expenses will rise to approximately equal loan charges by 1978-79; and gross income will in future be revalued by the rise in price of the gross domestic product, rather than (as hitherto) by the actual changes in car parking charges. Since no material increase in the volume of car parking can be expected, the large increase in the income required could only be achieved by large annual increases in charges. The effects of such increases will be kept under review.

Other expenditure

15. This is mainly expenditure by local authorities on road safety.

Passenger transport subsidies—British Rail

16. Subsidies are paid by PTEs and local authorities to meet losses arising on the local rail services which the authorities consider to be a necessary part of the public transport system in their areas. The provision permits a continuation, but no expansion, of the existing commitments in this field. (Central Government current subsidies direct to the British Railways Board are shown under Central Government subsidies to nationalised industries in paragraph 21 below.)

Passenger transport subsidies—Other

17. This covers revenue subsidies paid to bus, underground and ferry services by local authorities. As announced in Cmnd 5879, the Government's policy is progressively to reduce the level of such subsidies in England and Wales. In the April 1975 Budget Statement reductions in programmed expenditure for 1976-77 were announced which included a further cut of £12 million in the level of this subsidy. The Government have also decided that the original target of £60.8 million by 1978-79 should be reduced to £48.5 million. For the following year the figure remains the same in recognition that there is likely to be a minimum level of subsidy which it would be impossible to reduce without intolerable reductions in services. In allocating the subsidy between authorities, in the decisions on expenditure accepted for Transport Supplementary Grant for 1976-77, the Government have made a substantial shift away from holding

down fares in the major conurbations towards maintenance of levels of service in less densely populated areas. It intends to continue this shift of support in future years.

Concessionary fares

18. Expenditure on concessionary fares is shown under Roads and Transport for the first time. Previously it was included under Health and Personal Social Services. Expenditure has been rising very rapidly in recent years, and in the 1976-77 Rate Support Grant settlement provision has been made on the basis that economies can be achieved. Authorities have been asked to examine critically the continuation of concessions at peak periods, which generally involve high resource costs. The Government have proposed a review, with local authorities, of expenditure on these schemes. In the meantime the figures derived from Cmnd 5879 for the years after 1976-77 have been left unchanged.

Local transport: Scotland

19. Responsibility in this field lies with regional and islands councils who submitted the first comprehensive Transport Policies and Programmes to the Secretary of State for Scotland in the autumn of 1975. The policies and principles expressed in the foregoing paragraphs will in general apply in a like manner to Scotland. The figures for local transport capital expenditure in Scotland are sufficient for the significant level of oil-related roadworks by Scottish local authorities and for continuation of the major roads and transport projects under construction, most notably the modernisation of the Glasgow Underground and the revival of the Central Low Level Line in Glasgow. The reduced provision will however reinforce the emphasis which regional and island councils are already giving to projects which secure the best use of the present transport assets rather than those designed to extend transport networks.

20. On revenue expenditure, while decisions will be for regional and islands councils to take in the light of their assessment of priorities, it is expected that a significant reduction will be required in road maintenance and associated expenditure over the next few years. The figures assume that the general level of local authority revenue support for public transport services including expenditure on concessionary fares will stay about the same in real terms. It may, however, be expected that there will be a continuation of the existing trend away from general support (designed to keep fares down) towards specific support in particular cases; and towards the maintenance of an essential network of services, especially in rural areas.

Central Government subsidies

Nationalised Industries

21. The largest item in this block provides support to the passenger services of the British Railways Board. This support is to enable the Board to meet the public service obligation laid on it by the Government under the Railways Act 1974. A rising level of support was assumed in Cmnd 5879. But consistent with the target which the Secretary of State has set the Board for 1976 of containing their passenger grant requirement within its 1975 level in real terms it is now

assumed that the grant will not be increased in real terms in subsequent years. Total subsidies, including indicative sums for payments by the PTEs which are included in local transport in paragraph 14 above, are estimated to be—

| | | 1975-76 | 1976-77 | 1977-78 | 1978-79 | £ million 1979-80 |
|-------------------------------|-----|---------|---------|---------|---------|----------------------|
| Central Government support... | ... | 258.3 | 257.6 | 256.9 | 256.9 | 256.9 |
| PTE support in England | ... | 16.9 | 17.7 | 18.4 | 18.4 | 18.4 |
| Scotland | ... | 6.8 | 6.8 | 6.8 | 6.8 | 6.8 |
| Total | ... | 282.0 | 282.1 | 282.1 | 282.1 | 282.1 |

22. Grant was also paid to the British Railways Board in 1975 in respect of their freight business, as the Minister for Transport announced in Parliament on 24 July 1975. At the end of the year it was expected that this grant would continue to be needed for a period, and provision has now been made for a tapered grant for two years. Temporary support may also be needed for the rail based companies of the National Freight Corporation.

23. Two other industries require support in 1975-76 and subsequently:—

- (a) The British Waterways Board receives grants in respect of essential maintenance of its waterways and the improvement to modern traffic standards of about 400 bridges carrying public roads over the waterways. Provision is made for maintenance to continue at 1975 levels in real terms, pending the outcome of a joint review of long term policy which the Board are conducting with the Department of the Environment.
- (b) The provision covers grants to the Scottish Transport Group for losses on those Western Islands shipping services which are operated by its subsidiaries, Caledonian MacBrayne Ltd and David MacBrayne Ltd.

Other

24. The main item is a refund of fuel duty (22½p per gallon) to operators of bus stage services in respect of about 1,500 million miles of stage carriage services run each year. In addition 50 per cent grants towards the cost of buying new buses for use on stage services are being paid. Cash control of these grants, as on other expenditure, is being introduced from 1 April 1976; however, the provision allows for about the same level of support in real terms in 1976-77 as in previous years. Total investment in new buses by the local authority sector appears under local transport in Table 2.6 and similar investment by nationalised industries is in Table 2.5. In order to avoid double counting, provision is made here for grants to the private sector only.

25. The Railways Act 1974 empowered the Secretary of State to make grant towards the provision of facilities for the loading or unloading of rail freight. Applications have been few in the first year, but are expected to increase. Table 2.6 covers the payment of grant to the private sector. Grant aided expenditure by public sector bodies will form part of their capital programmes.

26. Other subsidies include those under the Highlands and Islands Shipping Services Act 1960, and the sea transport services to Orkney and Shetlands.

Ports and shipping

Ports

27. This item covers investment by the independent Harbour Trusts and local authority owned harbours, and grants and loans to ports in the private sector. (Investment by the British Transport Docks Board is dealt with in chapter 2.5, paragraph 35) The figures reflect some reduction in investment from 1976-77 onwards compared with Cmnd 5879. Provision for the new port at Sullom Voe in the Shetland Islands, to deal with North Sea oil, has also been slightly reduced in the early years to reflect rephasing of construction work. It is not possible at this stage to include estimates of the cost of the Government's proposals for public ownership of ports and ports businesses, or the years in which this expenditure will arise.

Shipping services

28. The main objective of expenditure on these services is the maintenance and improvement of safety around the coasts and at sea. It covers the Coast-guard, including expenditure arising from the first stage of plans for the reorganisation of the service; surveys of ships; examinations of seamen; and other services including navigational broadcasts, the operation of a trawler support ship, and the monitoring of shipping in the English Channel. Provision is also made for measures to combat offshore oil pollution and for the UK subscription to the Inter-Governmental Maritime Consultative Organisation.

Civil aviation services

29. A grant in aid is paid to the Civil Aviation Authority to cover its deficit on revenue account; it is intended that this deficit 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. It also covers miscellaneous items including the UK's subscriptions to Eurocontrol and to the International Civil Aviation Organisation, and expenditure on aviation security.

30. After a number of years of steady expansion the number of aircraft movements handled by the National Air Traffic Services levelled off during 1974 as shown below:—

| | | | | |
|-----------|-----------|-----------|-----------|-----------|
| 1970 | 1971 | 1972 | 1973 | 1974 |
| 1,142,796 | 1,217,406 | 1,258,031 | 1,345,243 | 1,358,559 |

However, the proportion of high speed and wide-bodied aircraft used by the airlines continues to increase and the Civil Aviation Authority is continuing its re-equipment programme designed to modernise and improve UK air traffic control facilities.

Other transport services

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

TABLE 2.7

| | 1970-71 | 1971-72 | 1972-73 |
|--|---------|---------|---------|
| Subsidies | 564.9 | 525.8 | 688.8 |
| Option mortgage scheme | 23.5 | 29.7 | 43.6 |
| Grants to housing associations | 0.2 | 2.5 | 0.7 |
| Improvements | | | |
| Improvement grants | 50.4 | 80.7 | 142.5 |
| Local authority improvement investment... .. | 110.8 | 210.1 | 360.7 |
| Investment | | | |
| Gross | 1,941.2 | 1,580.3 | 1,376.8 |
| Sales | -77.8 | -267.1 | -351.0 |
| Net | 1,863.4 | 1,313.2 | 1,025.8 |
| Lending | | | |
| Gross... .. | 393.6 | 531.8 | 490.2 |
| Repayments | -199.7 | -217.8 | -217.5 |
| Net | 193.9 | 314.0 | 272.7 |
| Housing administration | 20.1 | 16.1 | 19.8 |
| Total | 2,827.2 | 2,492.1 | 2,554.6 |
| Changes from Cmnd. 5879 revalued... .. | | | |
| Cmnd 5879 revalued | | | |

* These figures reflect the short-term loans to the building societies, £118 million of which was outstanding at the end of 1974-75 and repaid in 1975-76.

1. The planned levels of expenditure for future years reflect the continuing high priority being accorded to housing. The annual totals incorporate both revised estimates of the cost of certain items and a modest reduction in the Cmnd 5879 projections, made to contribute to the general need for public expenditure savings, notably in 1978-79. They do not therefore reflect the growth projected in Cmnd 5879 and are lower by £175 million in 1976-77, £284 million in 1977-78 and £365 million in 1978-79. Throughout the period, however, they remain at the much increased level to which they were raised after the Government took office in March 1974, and for new house building that level has been further increased. The policies reflected in these estimates will be subject to reconsideration when the outcome of the Government's current Review of Housing Finance is known.

Subsidies

2. The estimates of subsidies are in general lower than those in Cmnd 5879. In 1976-77 extra provision has been made for a special subsidy to enable public sector rent increases to be kept to an average of 60p a dwelling, in accordance with the White Paper "The Attack on Inflation" (Cmnd 6151). In this year the percentage of costs borne by rents, after rebates, will stay at about 43 per cent. Thereafter it is assumed that the percentage will rise so as to exceed 50 per cent by the end of the period, so enabling savings of about £180 million a year to be made by 1978-79. After taking account of both these factors and of revised estimates in the underlying cost of housing subsidies, the total resultant reductions are £135 million in 1976-77, £220 million in 1977-78

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------|---------|---------|---------|---------|---------|---------|
| 988.9 | 1,275.3 | 1,322.8 | 1,413.3 | 1,411.1 | 1,372 | 1,408 |
| 71.4 | 91.5 | 99.1 | 113.8 | 125.2 | 135 | 143 |
| 2.7 | 2.7 | 119.7 | 349.5 | 365.4 | 333 | 343 |
| 192.5 | 188.9 | 85.8 | 122.3 | 122.4 | 121 | 122 |
| 505.6 | 471.5 | 389.1 | 374.3 | 272.2 | 257 | 257 |
| 1,365.5 | 1,714.7 | 1,714.2 | 1,669.3 | 1,652.7 | 1,668 | 1,674 |
| -229.7 | -40.0 | -47.2 | -75.3 | -116.9 | -164 | -164 |
| 1,135.8 | 1,674.7 | 1,667.0 | 1,594.0 | 1,535.8 | 1,504 | 1,510 |
| 646.3 | 942.0* | 539.6* | 386.8 | 487.5 | 507 | 523 |
| -238.0 | -242.0 | -235.8 | -289.3 | -291.8 | -251 | -252 |
| 408.3 | 700.0 | 303.8 | 97.5 | 195.7 | 256 | 271 |
| 25.0 | 24.8 | 30.9 | 32.0 | 36.2 | 36 | 36 |
| 3,330.2 | 4,429.4 | 4,018.2 | 4,096.7 | 4,064.0 | 4,014 | 4,090 |
| | +163.0 | +5.3 | -174.9 | -283.9 | -365 | |
| | 4,266.4 | 4,012.9 | 4,271.6 | 4,347.9 | 4,379 | |

and £310 million in 1978-79. But rents will still be meeting a smaller proportion of costs than in the early years of the decade.

Option mortgages

3. 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 increases in subsidy necessary following the change in the basic rate of income tax. It is increased by amounts rising to £26 million in 1978-79.

Grant and loans to housing associations

4. Provision is made for continued support to housing associations by the Housing Corporation and by local authorities. This provision would allow grant approvals to be given to housing association projects involving on average about 46,000 new or improved dwellings a year. This programme is in total similar to that envisaged in Cmnd 5879, but it will be necessary to achieve a greater direction of resources to the areas of greatest need.

Improvements and renovation

5. The estimates for grants to the private sector, while higher than the outturn expected for 1975-76, have been reduced from those in Cmnd 5879 to reflect the lower volume of applications now being made. The reduction reaches £40 million in 1978-79. There is an increase of £90 million in the figure for local authority improvement in England in 1976-77. This reflects a reallocation of provision from local authority lending for house purchase

(see paragraph 8) to improvement and to acquisitions of older housing (see paragraph 7) for that year. This reallocation is a repetition of that made in 1975-76 in order to further the Government's social and housing objectives and in the light of the first results of a more detailed assessment of needs. Different circumstances obtain in Scotland and Wales, where it is not intended to make similar changes in the balance of these programmes.

Table A

Improvement grants approved: Great Britain

| | | | | | | For local authorities | For housing associations | For private owners | Number of dwellings |
|------|-----|-----|-----|-----|-----|--------------------------|-----------------------------|-----------------------|---------------------------|
| 1970 | ... | ... | ... | ... | ... | 59,500 | 4,100 | 116,400 | 180,000 |
| 1971 | ... | ... | ... | ... | ... | 89,000 | 6,200 | 137,400 | 232,600 |
| 1972 | ... | ... | ... | ... | ... | 132,800 | 6,800 | 224,500 | 368,100 |
| 1973 | ... | ... | ... | ... | ... | 188,100 | 5,100 | 260,400 | 453,600 |
| 1974 | ... | ... | ... | ... | ... | 121,400 | 5,300 | 173,800 | 300,500 |

Investment

6. The figures of approvals for new housebuilding by local authorities, new towns and the Scottish Special Housing Association in Table B show that the revival of public sector housebuilding which began in 1974 as a result of initiatives taken by the Government has continued in 1975, for which the provisional figure is higher than at any time in the last five years. The increase, compared with Cmnd 5879, of £60 million in provision for gross investment in 1978-79 reflects this. Taken together with new building for rent by housing associations, about 25,000 a year), the present level of new building in the publicly financed rented sector is higher than at any time in the last five years.

Table B

Permanent dwellings approved: local authorities, new towns and the Scottish Special Housing Association: Great Britain

| | | | | | | | | | Number |
|------------------|-----|-----|-----|-----|-----|-----|-----|-----|--|
| 1970 | ... | ... | ... | ... | ... | ... | ... | ... | 119,900 |
| 1971 | ... | ... | ... | ... | ... | ... | ... | ... | 118,200 |
| 1972 | ... | ... | ... | ... | ... | ... | ... | ... | 105,500 |
| 1973 | ... | ... | ... | ... | ... | ... | ... | ... | 102,900 |
| 1974 | ... | ... | ... | ... | ... | ... | ... | ... | 132,000 (excluding acquisitions from developers) |
| 1975 provisional | ... | ... | ... | ... | ... | ... | ... | ... | 144,000 |

7. Gross investment also includes provision for a continuing programme of acquisition of existing dwellings by local authorities. Capital receipts from the disposal of land and buildings are currently lower than had previously been estimated but the overall figures for net investment reflect an increase in later years in the expectation that some authorities will adopt building for sale as part of their programmes. The reduced level of gross investment in 1976-77 as compared with 1975-76 reflects the bunching of expenditure in the earlier years due to a faster rate of completions together with some residual expenditure from the 1974 programme of acquisitions from developers.

Lending

8. Local authorities' lending consists mainly of loans to individuals for house purchase. Lending for this purpose rose to an unexpectedly high level in 1974-75,

and subsequently the Government decided to introduce quantitative controls. These were related in England in 1975-76 and 1976-77 to lower totals than those provided in 1974-75, in order to release more resources for local authority improvement (see paragraph 5) and acquisitions (see paragraph 7) and in the light of the commitment of the building societies to the principle of giving help wherever possible so that the limited funds available for lending by local authorities may be used to the best advantage. Controls were also introduced in 1975-76 in Wales, where the provision is lower to offset increases elsewhere, and in Scotland, where the provision for later years is unchanged from Cmnd 5879. Local authorities will in future be acting as lenders of the last resort; and their individual allocations for 1976-77 are designed to concentrate their lending in areas of greatest need and to assist in preserving the stock of older houses. The provision for 1976-77 is also reduced by £52 million as part of the reductions announced in the statement by the Chancellor of the Exchequer in the budget of April 1975, and a similar reduction is applied in later years.

Table C

Local authorities loans to private persons for house purchase: England and Wales

| | | | | New dwellings | Other dwellings | All dwellings |
|------|-----|-----|-----|---------------|-----------------|---------------|
| 1970 | ... | ... | ... | 2,600 | 41,500 | 44,100 |
| 1971 | ... | ... | ... | 2,700 | 44,500 | 47,200 |
| 1972 | ... | ... | ... | 1,900 | 43,300 | 45,200 |
| 1973 | ... | ... | ... | 2,700 | 56,700 | 59,400 |
| 1974 | ... | ... | ... | 4,600 | 70,800 | 75,400 |

Table D

Stock of dwellings: by tenure 1966 to 1974: Great Britain

| | | | Rented from local authorities or new town corporations | | Owner occupied | |
|-------------|-----|-----|--|---------------------|----------------|---------------------|
| | | | Thousand | Percentage of total | Thousand | Percentage of total |
| April 1966* | ... | ... | 4,957 | 28.4 | 8,146 | 46.6 |
| end 1968 | ... | ... | 5,387 | 29.5 | 8,898 | 48.8 |
| end 1970 | ... | ... | 5,698 | 30.4 | 9,356 | 50.0 |
| April 1971* | ... | ... | 5,733 | 30.4 | 9,427 | 50.1 |
| end 1972 | ... | ... | 5,865 | 30.5 | 9,877 | 51.4 |
| end 1973 | ... | ... | 5,920 | 30.5 | 10,133 | 52.2 |
| end 1974 | ... | ... | 6,055 | 30.9 | 10,309 | 52.5 |

| | | | Rented from private owners and other tenures | | Total Stock | Total Households |
|-------------|-----|-----|--|---------------------|-------------|------------------|
| | | | Thousand | Percentage of total | | |
| April 1966* | ... | ... | 4,365 | 25.0 | 17,468 | 17,570 |
| end 1968 | ... | ... | 3,949 | 21.7 | 18,234 | 17,810 |
| end 1970 | ... | ... | 3,677 | 19.6 | 18,731 | 18,160 |
| April 1971* | ... | ... | 3,673 | 19.5 | 18,833 | 18,230 |
| end 1972 | ... | ... | 3,470 | 18.1 | 19,212 | 18,580 |
| end 1973 | ... | ... | 3,361 | 17.3 | 19,414 | 18,750 |
| end 1974 | ... | ... | 3,261 | 16.6 | 19,625 | 18,900 |

* Census date.

8. OTHER ENVIRONMENTAL

TABLE 2.8

| | 1970-71 | 1971-72 | 1972-73 |
|--|----------------|----------------|----------------|
| Water supply and conservation and sewerage | | | |
| Regional water authorities ⁽¹⁾ | 490.9 | 533.3 | 550.7 |
| Other services | | | |
| Capital | 77.3 | 78.6 | 85.2 |
| Current | 26.6 | 27.2 | 30.8 |
| Local environmental services | | | |
| Capital | 497.5 | 452.8 | 513.8 |
| Current | 685.8 | 712.7 | 744.9 |
| Community ownership of development land | — | — | — |
| Royal palaces and royal parks | 6.0 | 6.5 | 6.1 |
| Historic buildings and ancient monuments | 8.0 | 7.5 | 7.6 |
| Environmental research | 12.5 | 17.0 | 18.7 |
| Central and miscellaneous environmental services... .. | 25.4 | 27.9 | 31.7 |
| VAT paid by local authorities | 25.0 | 24.8 | 24.7 |
| Total | 1,855.0 | 1,888.3 | 2,014.2 |
| Changes from Cmnd 5879 revalued | | | |
| Cmnd 5879 revalued | | | |

(1) Including the Welsh National Water Development Authority.

Water services

1. Responsibility for water services in England and Wales lies with 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 programme also covers the Thames Tidal Flood Protection Scheme which is the responsibility of the Water Authorities concerned and the GLC. The Authorities were set up under the Water Act 1973 to manage these services as a whole. Their capital expenditure is shown as aggregates in Table 2.8; their current expenditure is met from charges and does not form part of public expenditure. In Scotland water services are the responsibility of regional and island councils.

2. Capital expenditure by the Water Authorities is controlled by the allocation of capital ceilings to each Authority. Departments are consulting Authorities on the form of full medium-term plans which the Authorities will be required to submit annually in support of their capital investment proposals in the development of effective corporate planning.

3. The 1976-77 capital programmes of Water Authorities and Scottish local authorities set out in Cmnd 5879 were reduced by 10 per cent in April 1975, and larger reductions have since been made for subsequent years. Although the average rate of growth in expenditure on water services assumed in Cmnd 5879 will not now be possible, the level programme now assumed should enable the Government's priorities for provision of services to meet urgent public health needs, new housing and industrial development to be generally realised; although it is recognised that the Authorities' ability to commission new works will be severely restricted during the period of this review.

SERVICES

£ million at 1975 Survey prices

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------|---------|---------|---------|---------|---------|---------|
| 593.6 | 469.3 | 549.0 | 501.6 | 500.9 | 500 | 504 |
| 91.3 | 82.9 | 141.9 | 143.2 | 144.9 | 113 | 96 |
| 34.6 | 33.7 | 39.6 | 44.1 | 39.5 | 38 | 37 |
| 557.4 | 497.3 | 395.1 | 278.6 | 288.7 | 266 | 273 |
| 779.2 | 893.6 | 971.9 | 914.5 | 881.4 | 845 | 853 |
| — | — | 1.0 | 31.3 | 76.7 | 102 | 102 |
| 7.1 | 7.7 | 8.2 | 7.9 | 7.9 | 8 | 8 |
| 9.3 | 10.9 | 14.1 | 15.3 | 15.2 | 15 | 15 |
| 21.5 | 22.8 | 29.7 | 30.8 | 28.1 | 25 | 28 |
| 36.9 | 42.0 | 42.6 | 53.5 | 54.2 | 54 | 40 |
| 25.6 | 27.9 | 23.9 | 24.7 | 24.8 | 25 | 25 |
| 2,156.5 | 2,088.1 | 2,217.0 | 2,045.5 | 2,062.3 | 1,991 | 1,981 |
| | +148.7 | +52.4 | -78.4 | -128.5 | -224 | |
| | 1,939.4 | 2,164.6 | 2,123.9 | 2,190.8 | 2,215 | |

Local environmental services

4. This group of mainly local authority services 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

5 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 3.4). 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 separate key sector borrowing approval. In Scotland local authority capital expenditure is subject to specific approval.

6. The provision for other environmental services as a whole for 1976-77 onwards has been substantially reduced below the level in Cmnd 5879. These reductions are reflected in the total annual borrowing limits notified to local authorities who will have to reduce their capital programmes with an inevitable

postponement of desirable schemes. In 1976-77 they will have to devote their borrowing allocation almost entirely to projects which are already committed under contract or are otherwise essential.

7. For the last four years local authorities in England and Wales have chosen to spend more heavily on sport and recreational projects at the expense of planning and other services in the locally determined sector. However, with the heavy demand for office accommodation to fit the reorganised local authority structure and the need to extend and improve facilities for collection and disposal of refuse it is likely, having regard also to the more limited resources available in the next few years, that this pattern of expenditure will change.

8. The derelict land grants in the assisted areas and the derelict land clearance areas of England were increased to 100 per cent from 15 December 1975 in order to encourage local authorities to give higher priority to areas of dereliction. The new rate matches the arrangements in Scotland and Wales where the new Development Agencies will meet the full costs of schemes. It should bring about a similar rate of clearance as is planned in Scotland and Wales.

9. Part of the measures aimed at the alleviation of unemployment introduced during 1975 falls within Other Environmental Services in England: this will also be controlled by separate key sector loan approvals.

CURRENT

10. The figures for local authority current expenditure in 1976-77 are based on the forecasts arrived at after consultation with the local authority associations in the course of the recent rate support grant negotiations. These are conducted separately for England and Wales and for Scotland.

England and Wales

11. In the context of an overall standstill in local authority current expenditure the figures for these environmental services show a reduction in spending in real terms of some 6.5 per cent from the estimated outturn for 1975-76. The figures for 1976-77 assume in particular that local authorities will pay close attention to their charging policies, not allowing services which ought to be self-financing to run at a loss. Use of manpower will need to be as effective and economical as possible with administrative costs being kept to a minimum. The figures for subsequent years assume further reductions in real expenditure on these services. The steps necessary to achieve these reductions will be the subject of discussions with the local authority associations under the aegis of the Consultative Council on Local Government Finance. The figures include £1 million to enable local authorities to implement sections 3-11 of the Control of Pollution Act 1974. A compensating reduction has been made to other Central Government programmes.

Scotland

12. The provision for 1976-77 is below the level of expenditure which had been planned by local authorities and they have been asked to take steps to restrict their expenditure. It will be necessary for this effort to continue throughout the period; and if particular increases in expenditure are unavoidable it will be necessary for these to be offset by reductions in other expenditures.

Community Ownership of Development Land

13. This is a new key sector item providing for the capitalised purchase, administrative and interest costs of local authorities and the Land Authority for Wales of buying and making available land for private development in their areas. The amounts shown are broad estimates of likely net expenditure after offsetting receipts assuming acquisitions and disposals of land in Great Britain at the following levels: —

| | | | | 1976-77 | 1977-78 | 1978-79 | (acres) 1979-80 |
|--------------|-----|-----|-----|---------|---------|---------|--------------------|
| Acquisitions | ... | ... | ... | 1,500 | 3,900 | 7,700 | 12,300 |
| Sales | ... | ... | ... | — | 400 | 2,400 | 5,500 |

The programme will be controlled initially by separate borrowing approvals and subsequently on the basis of annual allocations of borrowing approval.

Royal palaces and royal parks

14. Expenditure on this item covers maintenance etc. of the royal palaces and royal parks throughout the United Kingdom. There will be a reduction in the figures for the later years compared with Cmnd 5879. Expenditure is being restricted to maintain the same level of work as in 1976-77.

Historic buildings and ancient monuments

15. 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, also emergency excavations for recording monuments before sites are developed. More detailed information of the work in this field is available 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". There is a reduction in the figures for the later years compared with Cmnd 5879, expenditure being restricted to maintain the same level of work as in 1976-77.

Environmental research

16. This item covers expenditure by the Department of the Environment at its three research stations (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. The figures are substantially less than those contained in Cmnd 5879 and reflect a significant reduction in the Department's research programme in the years 1976-77 to 1979-80. There will be a cut back of planned increases in the number of research staff and savings in the Department's external research programmes.

9. LAW, ORDER AND

TABLE 2.9

| | | 1970-71 | 1971-72 | 1972-73 |
|---|-------------|----------------|----------------|----------------|
| Administration of justice | | | | |
| Court services, etc. | capital ... | 17.6 | 19.2 | 22.0 |
| | current ... | 58.3 | 64.6 | 70.2 |
| Legal aid | current ... | 31.2 | 35.8 | 40.7 |
| Total | | 107.1 | 119.6 | 132.9 |
| Treatment of offenders | | | | |
| Prisons | capital ... | 19.5 | 23.2 | 27.1 |
| | current ... | 93.4 | 105.9 | 104.9 |
| Probation and after-care | capital ... | 1.0 | 1.1 | 2.1 |
| | current ... | 22.9 | 24.9 | 27.6 |
| Total | | 136.8 | 155.1 | 161.7 |
| General protective services | | | | |
| Police | capital ... | 45.9 | 50.1 | 20.0 |
| | current ... | 597.3 | 621.0 | 629.8 |
| Fire | capital ... | 18.1 | 25.2 | 21.9 |
| | current ... | 145.0 | 158.2 | 166.4 |
| Other | current ... | 7.0 | 8.2 | 8.2 |
| Total | | 813.3 | 862.7 | 846.3 |
| Civil defence | capital ... | -1.2 | — | 0.3 |
| | current ... | 9.6 | 11.0 | 11.6 |
| Total | | 8.4 | 11.0 | 11.9 |
| Community services | capital ... | 12.1 | 7.3 | 9.5 |
| | current ... | 5.7 | 8.3 | 15.4 |
| Total | | 17.8 | 15.6 | 24.9 |
| Central and miscellaneous services | capital ... | — | — | — |
| | current ... | 6.8 | 7.7 | 8.1 |
| VAT paid by local authorities | capital ... | 0.2 | 0.2 | 0.3 |
| | current ... | 2.8 | 3.1 | 3.1 |
| Total law, order and protective services | capital ... | 113.2 | 126.3 | 103.2 |
| | current ... | 980.0 | 1,048.7 | 1,086.0 |
| Total | | 1,093.2 | 1,175.0 | 1,189.2 |
| Changes from Cmnd 5879 revalued ... | | | | |
| Cmnd 5879 revalued | | | | |

PROTECTIVE SERVICES

£ million at 1975 Survey prices

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------|---------|---------|---------|---------|---------|---------|
| 22.3 | 15.4 | 24.0 | 28.7 | 28.7 | 27 | 23 |
| 78.8 | 83.8 | 89.2 | 90.8 | 90.7 | 92 | 95 |
| 42.6 | 49.9 | 58.8 | 63.4 | 67.9 | 70 | 73 |
| 143.7 | 149.1 | 172.0 | 182.9 | 187.3 | 189 | 191 |
| 31.0 | 30.4 | 42.2 | 42.6 | 39.2 | 26 | 20 |
| 114.6 | 122.0 | 120.3 | 121.6 | 119.8 | 118 | 118 |
| 2.4 | 3.1 | 3.9 | 4.9 | 3.7 | 2 | 1 |
| 30.4 | 35.8 | 39.4 | 42.4 | 43.7 | 46 | 48 |
| 178.4 | 191.3 | 205.8 | 211.5 | 206.4 | 192 | 187 |
| 39.4 | 45.4 | 58.8 | 52.7 | 49.6 | 36 | 30 |
| 652.9 | 685.2 | 711.2 | 733.7 | 736.0 | 745 | 756 |
| 16.2 | 15.4 | 20.1 | 17.1 | 14.0 | 9 | 6 |
| 163.8 | 181.0 | 194.9 | 193.1 | 194.4 | 195 | 196 |
| 10.9 | 11.1 | 11.6 | 11.6 | 12.3 | 13 | 13 |
| 883.2 | 938.1 | 996.6 | 1,008.2 | 1,006.3 | 998 | 1,001 |
| 6.5 | -0.3 | 2.9 | 2.6 | 2.3 | 2 | 2 |
| 11.6 | 10.6 | 11.5 | 10.5 | 9.5 | 9 | 9 |
| 18.1 | 10.3 | 14.4 | 13.1 | 11.8 | 11 | 11 |
| 8.2 | 6.9 | 7.1 | 4.7 | 4.1 | 3 | 1 |
| 16.6 | 19.6 | 24.6 | 29.0 | 31.0 | 31 | 32 |
| 24.8 | 26.5 | 31.7 | 33.7 | 35.1 | 34 | 33 |
| — | 9.5 | 9.1 | 4.2 | — | — | — |
| 8.4 | 10.6 | 11.0 | 12.9 | 11.3 | 11 | 11 |
| 0.2 | 0.2 | 0.2 | 0.1 | 0.2 | — | — |
| 3.2 | 3.0 | 3.3 | 3.6 | 3.7 | 4 | 4 |
| 126.2 | 126.0 | 168.3 | 157.6 | 141.8 | 105 | 83 |
| 1,133.8 | 1,212.6 | 1,275.8 | 1,312.6 | 1,320.3 | 1,334 | 1,355 |
| 1,260.0 | 1,338.6 | 1,444.1 | 1,470.2 | 1,462.1 | 1,439 | 1,438 |
| | +1.3 | +26.1 | +6.2 | -50.6 | -110 | |
| | 1,337.3 | 1,418.0 | 1,464.0 | 1,512.7 | 1,549 | |

1. Table 2.9 includes expenditure on: the administration of justice; the treatment of offenders 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 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

Magistrates' Courts and Coroners' Courts

2. Local authority expenditure on day-to-day running costs of magistrates' courts and coroners' courts is estimated to rise from £33.4 million in 1975-76 to £37 million in 1979-80. The capital expenditure will cover the completion of new courthouses already under construction and a small programme of new works in 1976-77 but will not permit any new work in the later years of the period.

3. Provision for payment of costs awarded in magistrates' courts and the Crown Courts is estimated to show a slight rise, in line with a probable rise in the number of cases.

Higher Courts

4. Table A on page 82 shows the pattern of expenditure on the higher courts based on forecasts of criminal and civil business. Gross current expenditure of the courts depends mainly on the number of cases with which they have to deal. In the case of civil business, this is largely offset by court fees. The figures reflect an intention to reduce net expenditure over the years concerned, primarily by adjustments in the fee structure.

5. The Courts Act 1971 enabled accommodation formerly used by Assizes and Quarter Sessions to be retained until 1981 for the use of the higher courts, while replacement courts are being built. Successive cuts in the level of expenditure in recent years have meant that some of these courts cannot now be built in time. Legislation to extend the period during which the higher courts continue to occupy the present accommodation may therefore prove necessary.

COURT SERVICES: —SCOTLAND

6. Capital expenditure on sheriff court buildings rises from rather under £1 million in 1975-76 to just over £3 million in 1979-80. Even this increase in expenditure will not avoid the deferment of many urgently required improvements to existing buildings until the early 1980's.

7. An increase in current expenditure for increasing court business, the introduction of Summary Cause (a new procedure for dealing with small claims) and the implementation of security arrangements, is offset by increases in court fees.

Criminal Injuries Compensation

8. Payments by the Criminal Injuries Compensation Board are expected to continue to rise in response to a steady increase in the number of applicants. More detailed information is contained in the Eleventh Report of the Board (Cmnd 6291).

Legal Aid

9. 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.

10. Expenditure on civil legal aid is expected to rise from £20.6 million in 1975-76 to £22.4 million in 1976-77. Thereafter, by some adjustments in the scope of the legal aid scheme and by administrative and other economies, it is estimated that expenditure will remain reasonably level. Expenditure on legal advice and assistance is expected to rise by about 10 per cent a year over the 5 year period.

11. Expenditure on criminal legal aid is expected to rise by about 9 per cent a year in the magistrates' courts and 7 per cent in the higher courts in line with the expected rise in proceedings.

Treatment of offenders

Prisons

12. The main assumption is that the total number of persons held in custody will rise from 45,200 in 1975-76 to 47,900 by 1979-80, despite increasing use of non-custodial treatment.

13. The programme provides for an increase in non-industrial staff over the period from 20,000 to 24,300. 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. About 420 probation officers are expected to be so employed in 1975-76, rising to 470 in 1979-80. A gradual increase is also expected in the numbers of local authority social workers employed in prisons in Scotland.

14. The capital programme has again been reviewed in the light of the expected size of the prison population and of the resources which can be made available. It is intended to complete building schemes which have already commenced and to start one of the major projects previously planned. This programme is expected to produce about 6,250 places during the period, reducing significantly the shortfall of places against expected inmate population, and to provide about 2,850 staff quarters, including those at new establishments. No provision is now made for new schemes to replace or rebuild entirely older prisons or hutted camps.

15. Expenditure at existing establishments on staff quarters and on schemes to ensure that places can be fully used and acceptable standards maintained is expected to average about £13.5 million a year.

Probation and After-Care

16. The forecast assumes a lower rate of increase in staff and hostel places than was envisaged in Cmnd 5879. The number of probation officers (excluding officers seconded to prison department establishments) is expected to rise from 4,500 to 5,340 over the period. Provision is made for the extension of community service schemes and for an expansion of the day training centres scheme. The programme also provides for an additional 1,200 places in adult probation and bail hostels, beyond the 400 places available. It is expected that voluntary organisations will provide only a modest increase in after-care hostel places in 1976-77, but a greater increase in later years.

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

General protective services

Police

18. Provision is made for the continuing build-up of police strengths towards authorised establishments and for essential support services. Over the past year recruitment of police officers has improved considerably and it is now expected that their numbers will rise from 114,700 to 124,600 over the period, though even with these increases police strength will in some areas remain below authorised establishment. Should numbers exceed the estimated growth, provision will be made for additional expenditure within authorised establishments.

19. The number of civilians, including traffic wardens and cadets, employed for police purposes rose sharply from April to September 1975, when it stood at 50,900. This figure will however be reduced to 50,000 over the period, a lower level than assumed in Cmnd 5879.

20. Compared with previous forecasts, the estimates for capital expenditure on sites and operational buildings have been reduced by spreading forward the building programme over a longer period, but starts will be made on some headquarters and other operational buildings. Provision is made for building two new enlarged forensic science laboratories to replace four existing ones, and on a reduced scale for some redevelopment of police training centres. The planned expansion of the Police College will be completed.

Fire Services

21. The forecasts assume that the numbers of whole-time firemen, of part-time and junior firemen and of civilian staff will remain constant at about 36,300, 16,200 and 5,700 respectively over the period, rather higher in total than assumed in Cmnd 5879.

22. In 1977-78 and succeeding years there will be reductions in expenditure on fire research and on the Fire Service Staff and Technical Colleges.

23. The capital expenditure figures allow for a very limited, and sharply declining building programme.

Other

24. The programme covers the cost of immigration controls, the immigration appeal system and naturalisation service, and a grant in aid to the United Kingdom Immigrants Advisory Service. The increase over the period reflects a continuing growth in work loads.

Community service

25. The increase over the period in the programme as a whole has been reduced. Within this, provision is included for the Urban Programme, grants to voluntary bodies and the new Equal Opportunities Commission, and for replacing the separate Race Relations Board and Community Relations Commission by the new Race Relations Commission.

Other information

26. Table B on page 83 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 and Parole Boards, 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 A

HIGHER COURTS (ENGLAND AND WALES)

Expenditure £ million at 1975 Survey prices

| | 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|--|---------|---------|---------|---------|---------|---------|---------|
| <i>Summary</i> | | | | | | | |
| Total Net Expenditure | 26.7 | 21.5 | 30.1 | 30.7 | 30.4 | 34.2 | 32.6 |
| <i>Current Expenditure</i> | | | | | | | |
| Criminal business | 14.2 | 13.4 | 14.0 | 14.0 | 14.0 | 14.0 | 14.0 |
| Civil business | | | | | | | |
| (a) Total expenditure (gross) | 23.8 | 25.6 | 26.4 | 26.5 | 26.3 | 26.4 | 26.7 |
| (b) Receipts | -20.8 | -22.6 | -23.4 | -23.7 | -24.1 | -24.5 | -24.9 |
| (c) Net expenditure | 3.0 | 3.0 | 3.0 | 2.8 | 2.2 | 1.9 | 1.8 |
| <i>Capital Expenditure</i> | | | | | | | |
| Higher Courts Building Programme | | | | | | | |
| (a) Expenditure | 9.5 | 5.1 | 13.1 | 13.9 | 14.2 | 18.3 | 16.8 |
| (b) Number of Court rooms for the Crown Court | | | | | | | |
| (i) Permanent Court rooms started (in 9 New Court Buildings) | nil | nil | 14 | 41 | 38 | 6 | nil |
| (ii) Permanent Court rooms completed | nil | nil | nil | nil | nil | 5 | 6 |
| (iii) Temporary Court rooms provided by hiring, adaptations or other means... .. | nil | 23 | 7 | 12 | nil | nil | nil |
| (iv) Total Court rooms in use by the Crown Court | 243 | 266 | 273 | 285 | 285 | 290 | 296 |
| <i>Number of Cases/Proceedings (thousands)</i> | | | | | | | |
| Criminal business | | | | | | | |
| Crown Courts—cases disposed of | 43 | 44 | 48 | 53 | 56 | 59 | 62 |
| Civil business | | | | | | | |
| (a) High Court—proceedings commenced | 308 | 372 | 408 | 421 | 430 | 440 | 450 |
| (b) County Courts—proceedings commenced | 1,556 | 1,730 | 1,800 | 1,850 | 1,900 | 1,900 | 1,900 |
| <i>Estimated Number of Staff in Post as at 31 March⁽¹⁾</i> | | | | | | | |
| Criminal business | 2,055 | 2,061 | 2,182 | 2,220 | 2,265 | 2,265 | 2,265 |
| Civil business | 7,843 | 7,739 | 7,843 | 7,905 | 7,920 | 7,920 | 7,920 |
| Total | 9,898 | 9,800 | 10,025 | 10,125 | 10,185 | 10,185 | 10,185 |

(1) Takes no account of the proposed savings in Civil Service staff costs referred to in paragraph 32 of Part 1.

TABLE B

PRISON SERVICE

Expenditure £ million at 1975 survey prices

| | 1972-73 | 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|
| A. Summary | | | | | | | | |
| 1. Total net expenditure | 132.0 | 145.6 | 152.4 | 162.5 | 164.2 | 159.0 | 144 | 138 |
| B. Current Expenditure | | | | | | | | |
| 2. (a) Salaries and other staff expenses | 83.4 | 85.2 | 90.5 | 87.6 | 89.3 | 88.3 | 90 | 90 |
| (b) Other net current expenditure | 21.5 | 29.4 | 31.5 | 32.7 | 32.3 | 31.5 | 28 | 28 |
| (c) Total net current expenditure | 104.9 | 114.6 | 122.0 | 120.3 | 121.6 | 119.8 | 118 | 118 |
| 3. Daily average inmate population | 43,300 | 41,200 | 42,200 | 45,200 | 46,400 | 46,800 | 47,400 | 47,900 |
| 4. Annual current cost per inmate (Line 2(c)* divided by Line 3) (£) | 2,423 | 2,782 | 2,891 | 2,662 | 2,621 | 2,560 | 2,511 | 2,463 |
| 5. Numbers of staff in post as at 31 March: | | | | | | | | |
| (a) Outstations | | | | | | | | |
| (i) Prison officer grades and other non-industrials | 19,020† | 19,020† | 20,080 | 21,260 | 22,320 | 23,420 | 24,320 | 24,320 |
| (ii) Industrials | 2,080† | 2,070† | 2,090 | 2,230 | 2,320 | 2,450 | 2,450 | 2,650 |
| (b) HQ and Regional Administration | 750 | 800† | 880 | 930 | 1,040 | 1,040 | 1,040 | 1,070 |
| (c) Total staff in post | 21,850 | 21,870† | 23,050 | 24,420 | 25,680 | 26,910 | 27,810 | 27,840 |
| 6. Staff/Inmate Ratio (Line 5(a) (i): Line 3) | 1 : 2.3 | 1 : 2.2 | 1 : 2.1 | 1 : 2.1 | 1 : 2.1 | 1 : 2.0 | 1 : 1.9 | 1 : 2.0 |
| C. Capital Expenditure | | | | | | | | |
| 7. Total capital expenditure | 27.1 | 31.0 | 30.4 | 42.2 | 42.6 | 39.2 | 26 | 20 |
| 8. Number of new inmate places | | | | | | | | |
| (a) started | 2,100 | 1,610† | 860 | 550 | 280 | — | — | — |
| (b) completed | 550 | 570† | 910 | 1,770 | 1,680 | 1,450 | 1,120 | 480 |
| 9. Total number of inmate places available at end of financial year‡ | 40,240 | 40,810† | 39,820 | 41,590 | 43,270 | 44,720 | 45,840 | 46,120 |
| 10. Staff quarters | | | | | | | | |
| (a) Total requirement at end of year | 12,050 | 12,040 | 12,600 | 13,700 | 14,460 | 15,180 | 15,770 | 15,770 |
| (b) Stock at beginning of year | 10,320 | 10,940 | 11,390 | 11,830 | 12,540 | 13,340 | 14,080 | 14,390 |
| (c) Provided during year | 620 | 450 | 440 | 710 | 800 | 740 | 310 | 90 |
| (d) Deficit at end of year | 1,110 | 650 | 770 | 1,160 | 1,120 | 1,100 | 1,380 | 1,290 |

*These figures are not comparable with those in Appendix 4 of the Annual Report on the Work of the Prison Department (England and Wales), which include all allied service expenditure.

†Revised figures.

‡These figures take account of the closure of 5 open establishments in 1974-75 and the loss of 200 temporary places in 1979-80 consequent upon new construction.

10. EDUCATION AND LIBRARIES,

TABLE 2.10

| | | | | | 1970-71 | 1971-72 | 1972-73 |
|--|-----|-----|-----|---------------|---------|---------|---------|
| Schools | | | | | | | |
| Under fives | ... | ... | ... | capital(1)... | — | — | — |
| | | | | current(2) | — | — | — |
| Primary, secondary and other | ... | | | capital | 492.0 | 569.3 | 687.8 |
| Primary | ... | ... | ... | current | 997.6 | 1,069.9 | 1,122.4 |
| Secondary | ... | ... | ... | current | 1,087.2 | 1,178.8 | 1,250.3 |
| Other | ... | ... | ... | current | 215.9 | 242.9 | 259.5 |
| Meals | ... | ... | ... | ... | 202.2 | 201.7 | 222.7 |
| Milk | ... | ... | ... | ... | 16.1 | 10.5 | 8.2 |
| Higher and further education(3) | | | | | | | |
| Universities | ... | ... | ... | capital | 110.5 | 110.6 | 110.1 |
| | | | | current | 450.8 | 463.8 | 474.3 |
| Further education | ... | ... | ... | capital | 129.2 | 123.5 | 105.6 |
| | | | | current | 539.0 | 572.7 | 613.5 |
| Teacher training | ... | ... | ... | capital | 19.5 | 23.3 | 18.7 |
| | | | | current | 199.6 | 206.7 | 214.1 |
| Libraries | | | | | | | |
| Purchase grants | ... | ... | ... | ... | 1.3 | 1.3 | 1.5 |
| Other | ... | ... | ... | ... | 115.0 | 124.1 | 137.6 |
| Miscellaneous educational services, research and administration | | | | | | | |
| Youth services, etc. | ... | ... | ... | capital | 14.6 | 15.2 | 18.5 |
| | | | | current | 41.1 | 42.9 | 49.0 |
| Research and other services | ... | ... | ... | ... | 6.2 | 6.1 | 7.4 |
| Administration | ... | ... | ... | ... | 170.8 | 176.8 | 192.6 |
| VAT paid by local authorities | ... | ... | ... | ... | 36.9 | 39.5 | 41.4 |
| Total education and libraries... | | | | | | | |
| | | | | capital | 788.7 | 867.7 | 975.5 |
| | | | | current | 4,056.8 | 4,311.9 | 4,559.7 |
| Total | | | | | 4,845.5 | 5,179.6 | 5,535.2 |
| Research Councils, etc. | | | | | 177.4 | 194.9 | 201.1 |
| Arts | | | | | | | |
| National museums and galleries | | | | | | | |
| Capital expenditure | ... | ... | ... | ... | 1.9 | 3.7 | 1.2 |
| Annual purchase grants | ... | ... | ... | ... | 2.3 | 2.1 | 3.0 |
| Other current expenditure | ... | ... | ... | ... | 12.8 | 14.2 | 14.5 |
| Local museums and galleries | | | | | | | |
| | | | | capital | 1.6 | 3.4 | 3.3 |
| | | | | current | 10.0 | 10.7 | 11.9 |
| Arts Council and other arts | ... | ... | ... | capital | 3.5 | 3.7 | 5.5 |
| | | | | current | 18.5 | 21.5 | 22.8 |
| Total arts | | | | | 7.0 | 10.8 | 10.0 |
| | | | | current | 43.6 | 48.5 | 52.2 |
| Total | | | | | 50.6 | 59.3 | 62.2 |
| Total education and libraries, science and arts | | | | | | | |
| | | | | capital | 822.5 | 908.4 | 1,015.7 |
| | | | | current | 4,251.0 | 4,525.4 | 4,782.8 |
| Total | | | | | 5,073.5 | 5,433.8 | 5,798.5 |
| Changes from Cmnd 5879 revalued | | | | | | | |
| Cmnd 5879 revalued | ... | ... | ... | ... | | | |

(1) New nursery programme only.

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

(3) Decisions have still to be made on the apportionment of the totals for Higher and further education from 1976-77 onwards.

SCIENCE AND ARTS

£ million at 1975 Survey prices

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 | |
|---------|---------|---------|---------|-----------|---------|---------|-------|
| — | 18.0 | 31.9 | 22.5 | 10.6 | 6 | 6 | |
| 96.5 | 104.5 | 131.3 | 145.1 | 150.7 | 152 | 155 | |
| 662.3 | 469.7 | 386.4 | 378.2 | 298.0 | 238 | 217 | |
| 1,087.2 | 1,146.3 | 1,243.5 | 1,232.9 | 1,215.5 | 1,189 | 1,158 | |
| 1,354.4 | 1,451.3 | 1,404.5 | 1,447.8 | 1,485.9 | 1,511 | 1,532 | |
| 271.9 | 279.8 | 290.8 | 301.0 | 304.5 | 308 | 311 | |
| 259.5 | 309.1 | 314.9 | 300.3 | 277.6 | 248 | 207 | |
| 8.3 | 8.3 | 10.8 | 11.8 | 11.5 | 12 | 11 | |
| 122.6 | 82.8 | 104.5 | } 150.1 | 151.6 | 122 | 121 | |
| 527.0 | 548.9 | 571.1 | | } 1,499.4 | 1,498.6 | 1,514 | 1,551 |
| 104.6 | 83.8 | 53.7 | | | | | |
| 624.6 | 649.7 | 677.9 | | | | | |
| 16.7 | 11.4 | 4.9 | | | | | |
| 219.8 | 210.2 | 208.9 | | | | | |
| 2.4 | 3.0 | 3.2 | 3.5 | | 3.7 | 4 | 4 |
| 147.6 | 149.5 | 151.7 | 156.3 | 147.9 | 145 | 149 | |
| 19.9 | 14.1 | 19.3 | 17.8 | 18.0 | 17 | 17 | |
| 52.8 | 50.3 | 53.3 | 54.6 | 53.0 | 53 | 53 | |
| 7.4 | 7.9 | 11.1 | 12.2 | 13.3 | 13 | 13 | |
| 199.8 | 197.1 | 198.1 | 202.2 | 201.7 | 202 | 203 | |
| 40.1 | 42.5 | 38.7 | 40.5 | 39.5 | 39 | 39 | |
| 963.3 | 708.4 | 623.4 | 595.8 | 495.3 | 396 | 374 | |
| 4,862.1 | 5,129.8 | 5,287.1 | 5,380.4 | 5,386.3 | 5,377 | 5,373 | |
| 5,825.4 | 5,838.2 | 5,910.5 | 5,976.2 | 5,881.6 | 5,773 | 5,747 | |
| 185.1 | 185.5 | 172.3 | 175.8 | 175.7 | 172 | 171 | |
| 3.9 | 4.2 | 5.3 | 5.1 | 3.9 | 3 | 2 | |
| 2.4 | 2.0 | 3.6 | 3.8 | 3.8 | 4 | 4 | |
| 15.6 | 16.7 | 18.1 | 19.0 | 19.7 | 19 | 19 | |
| 5.3 | 5.2 | 2.5 | 2.6 | 3.7 | 3 | 1 | |
| 12.7 | 16.7 | 17.9 | 17.8 | 17.8 | 18 | 18 | |
| 4.8 | 7.8 | 4.9 | 2.4 | 1.7 | 1 | 1 | |
| 25.7 | 27.4 | 29.2 | 30.9 | 33.2 | 31 | 32 | |
| 14.0 | 17.2 | 12.7 | 10.1 | 9.3 | 7 | 4 | |
| 56.4 | 62.8 | 68.8 | 71.5 | 74.5 | 72 | 73 | |
| 70.4 | 80.0 | 81.5 | 81.6 | 83.8 | 79 | 77 | |
| 1,003.9 | 751.7 | 664.9 | 634.7 | 533.3 | 431 | 406 | |
| 5,077.0 | 5,352.0 | 5,499.4 | 5,598.9 | 5,607.8 | 5,593 | 5,589 | |
| 6,080.9 | 6,103.7 | 6,164.3 | 6,233.6 | 6,141.1 | 6,024 | 5,995 | |
| | + 130.8 | + 27.6 | - 84.2 | - 331.1 | - 618 | | |
| | 5,972.9 | 6,136.7 | 6,317.8 | 6,472.2 | 6,642 | | |

Education and libraries

General

1. Expenditure on education and libraries is expected to total £5,910 million in 1975-76, and is planned to increase to £5,976 million in 1976-77, subsequently declining to £5,747 million by 1979-80 as the total number of school pupils and the growth in the demand for higher education decline.

2. The year-by-year pattern of expenditure is based on the pupil and student numbers set out in the following table.

| | 1975-76 | 1976-77 | 1977-78 | 1978-79 | Thousands 1979-80 |
|---|--------------|--------------|--------------|--------------|----------------------|
| Schools ¹ | | | | | |
| Under fives ² ... | 418 | 459 | 459 | 459 | 459 |
| Primary pupils ... | 5,363 | 5,274 | 5,141 | 4,974 | 4,785 |
| Secondary pupils to age 16... Over 16 ... | 3,746 549 | 3,813 581 | 3,849 607 | 3,846 630 | 3,814 654 |
| Non-advanced further education ³ ... | 721 | 743 | 765 | 788 | 809 |
| Higher education ⁴ ... | 511 | 516 | 523 | 533 | 550 |

(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, including evening institutes (as in Cmnd 5879).

(4) The figures are estimated for the academic year beginning in the relevant financial year. They take into account full-time and sandwich students undertaking advanced level work at universities (throughout Great Britain) and polytechnics and other establishments of further education. Part-time students in advanced further education (included in Cmnd 5879) have been excluded.

3. The planned expenditure figures reflect not only the restraints necessary in view of the economic situation but also changes in the prospective demand for education at a number of levels, compared with the projections embodied in Cmnd 5879. Latest projected numbers of births show a further fall and somewhat lower growth rates are also expected, on the basis of observed trends, in the number of pupils remaining at school beyond the statutory school leaving age and in the demand for higher education. On the other hand, increased demand for non-advanced further education is also taken into account.

4. The current expenditure forecast for 1976-77 in Table 2.10 embodies the recent rate support grant settlements. The implications of these settlements for the education service are set out in circulars to local authorities (DES Circular 15/75 and Scottish Office Finance Circular 75/1975). Provision for later years is intended in general to meet educational demand as now foreseen, but most previously planned improvements in standards must now be postponed. In the post-school sector further growth in student numbers will mostly have to be accommodated through economies in operating standards.

Schools

5. The forecasts of expenditure provide for no change in the number of under-fives in school after 1976-77. But, with declining 3 and 4 year old age groups, the proportion of children receiving nursery education will continue to increase steadily. By 1980 places will be available for more than four-fifths of the policy target set in the 1972 White Paper "Education: A Framework for

Expansion" (Cmnd 5174). In Scotland it is expected that the estimate given in Cmnd 5175—40 per cent of the 3 and 4 year old age group in education by 1977—will be achieved. The reduced capital expenditure provision for under-fives should still ensure acceptable standards of accommodation in areas of greatest need.

6. The total school population will fall after 1976-77, but provision will continue to be made for extra school places required for local increases in numbers as a result of the movement of population. There will also be modest scope for the improvement of old schools and, on a reduced scale, for the building of special schools. The capital expenditure figures in England and Wales include provision for the special allocation of building starts in 1976-77 to assist the reorganisation of secondary education on comprehensive lines, which was announced on 6 August 1975.

7. In England and Wales provision has been made for staffing at the respective standards which have been achieved nationally this year, and for the phased introduction of induction training for newly trained teachers and the expansion of in-service training to be deferred until 1977-78. On this basis the teaching force is expected to rise to 464,000 in 1977-78 and 1978-79. The size of the teaching force thereafter, as the total number of school pupils declines, must be further considered. In Scotland the programme provides for the maintenance throughout the period of the current standards, as agreed with the Convention of Scottish Local Authorities and promulgated in Scottish Office Finance Circular No. 64/1975.

Higher and further education

8. The projections of expenditure in Table 2.10 will allow for a progressive expansion in student numbers to a figure of 600,000 full-time and sandwich course students in Great Britain by 1981. Though a number of factors make for uncertainty in forecasting the corresponding demand, this implies some increase in competition for entry in some subjects compared with recent years, but will allow for a further rise in the proportion of the post-school age group entering higher education, at present about 14 per cent, to about 15 per cent. The planned level of current expenditure will require a progressively more effective use of resources. In particular, there will be little if any scope for increasing total staff numbers after 1976-77. Capital expenditure on new buildings, including new purpose-built student residences, will continue to be severely restricted and more intensive use of available premises will accordingly be required.

9. Although demand for non-advanced further education tends to fluctuate considerably, and is thus particularly difficult to estimate, the projections on which provision for capital and current expenditure is based reflect the fact that demand is growing more rapidly than was expected in Cmnd 5879 and assume that local authorities will seek to meet that demand, particularly in relation to the 16-19 age groups to which the Government attach priority. As in higher education, however, more intensive use of buildings and staff will be required.

School meals

10. In accordance with the Government's general policy of directing assistance to those most in need, the forecasts of expenditure are based on

the assumption that the charge for the school dinner will be increased progressively, commencing with an increase from 15p to 20p in September 1976; there will be the usual arrangements for remitting the charge in cases of hardship. The present average subsidy of over 60 per cent will be reduced by 1980 by about half.

Research Councils etc.

11. 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 allocation by the Advisory Board for the Research Councils. The Science Budget was allocated in 1975-76 Estimates as follows:—

| | £ million |
|--|--------------|
| Agricultural Research Council (ARC) | 13.1 |
| Medical Research Council (MRC) | 28.9 |
| Natural Environment Research Council (NERC) | 19.2 |
| Science Research Council (SRC) | 96.4 |
| Social Science Research Council (SSRC) | 8.7 |
| Natural History Museum* | 2.9 |
| Royal Society | 1.7 |
| Total | 170.9 |

* Includes provision for major building.

12. 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 the earth, sea and sky and the investigation of the laws of physical matter. In addition to research financed from the Science Budget, the Research Councils carry out research commissioned by government departments. The value of this research in 1975-76 was £32 million. This sum has been progressively transferred from the Science Budget to the votes of the government departments concerned over the three years 1973-74 to 1975-76 under the arrangements for commissioning applied research introduced by the 1972 White Paper "Framework for Government Research and Development" (Cmnd 5046).

13. Compared with earlier White Papers the projected level of the Science Budget shown in Table 2.10 shows a different pattern of growth. After an initial increase it will decline to the level of expenditure in the current year. It is intended, following the advice of the Advisory Board for the Research Councils, to reduce expenditure in the areas of "big science" (high energy physics, astronomy, and space science) supported by the Science Research Council, in order to sustain the other sciences (including applied science) supported by that Council, and to enable the Agricultural, Medical, Natural Environment, and Social Science Research Councils to continue to develop programmes based on social need as well as scientific opportunity.

14. All Research Councils give grants in response to applications from research workers, mainly in universities, for support of research projects.

Usually these grants are for the provision of facilities and support staff for 2 or 3 years projects; sometimes they are for substantial capital sums, e.g. provision of facilities for radio astronomy at Manchester and Cambridge; occasionally they are in the form of programme grants which may cover 5, 7 or even 10 years. In addition Councils enter into contracts with universities and other bodies whereby they pay the costs, including overheads, of research which they initiate. The ARC, MRC and SSRC establish research Units, usually in universities with a university-employed professor as honorary director but otherwise staffed by Council employees. The ARC, NERC, MRC and SRC have research Institutes with independent Governing Bodies (e.g. the Rothamsted Experimental Station) or managed by Research Associations (e.g. the Marine and Freshwater Biological Associations). SRC Institutes are maintained specifically to provide facilities for university research workers; facilities for university workers are also provided in other Research Council establishments (e.g. the NERC Research Vessel Base). All Research Councils support postgraduate training by awarding maintenance awards to students studying for higher degrees, and MRC, NERC, SRC and SSRC award fellowships for post-doctoral study.

15. The general pattern of each Council's expenditure in 1975-76, from its Science Budget finance, is shown in Table A below.

Science Budget expenditure⁽¹⁾ analysed by main forms of research and training support

TABLE A

£ million

| | ARC | MRC | NERC | SRC | SSRC | Total |
|---|------|------|------|------|------|-------|
| Research grants and contracts ... | 1.1 | 8.3 | 2.2 | 19.7 | 3.0 | 34.3 |
| Research units | 1.2 | 10.6 | 0.0 | 0.0 | 0.5 | 12.3 |
| Research Council Establishments | 3.5 | 5.9 | 12.3 | 34.7 | 0.0 | 56.4 |
| Research Council grant-aided institutes | 6.7 | 0.0 | 1.3 | 0.0 | 0.0 | 8.0 |
| Post graduate Awards | 0.1 | 1.9 | 1.5 | 10.1 | 3.9 | 17.5 |
| International subscriptions ... | 0.0 | 0.6 | 0.0 | 24.7 | 0.2 | 25.5 |
| Centrally supported schemes and administration | 0.5 | 1.6 | 1.9 | 7.2 | 1.1 | 12.3 |
| | 13.1 | 28.9 | 19.2 | 96.4 | 8.7 | 166.3 |

⁽¹⁾ Based on 1975-76 figures, excluding expenditure by the Natural History Museum and the Royal Society (£4.6million).

TABLE B

Awards made by Research Councils

| | 1 Oct., 1970 | 1 Oct., 1971 | 1 Oct., 1972 | 1 Oct., 1973 | 1 Oct., 1974 |
|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Post-Graduate Awards | | | | | |
| ARC | 2 | 15 | 20 | 14 | 19 |
| MRC | 322 | 358 | 400 | 414 | 415 |
| NERC | 426 | 443 | 452 | 448 | 457 |
| SRC | 3,887 | 3,935 | 3,866 | 3,644 | 3,551 |
| SSRC | 1,536 | 1,538 | 1,743 | 1,835 | 1,871 |
| Total | 6,173 | 6,289 | 6,481 | 6,355 | 6,313 |
| Bursaries | | | | | |
| SSRC | 608 | 625 | 603 | 582 | 573 |
| Intercalated Awards | | | | | |
| MRC | 277 | 303 | 284 | 300 | 294 |

16. The provision for Research Council Expenditure for 1975-76 includes an element for the relocation of the headquarters of the Science and Natural Environment Research Councils in a building to be constructed in Swindon.

Arts

17. Within the reduced provision for the Education and Libraries, Science and Arts Programme as a whole, provision is made for continuing current expenditure on maintenance of the collections of the national museums and galleries including extra assistance for 1976-77 and 1977-78 with conservation and security. Provision for the annual purchase grants for these collections has been increased from 1975-76 to take account of rises in acquisition costs since the level of these grants was last determined in 1970. Some reduction in the capital provision will inevitably mean deferment of planned projects for the national museums and galleries.

18. The Annual Reports of the Arts Council and the British Film Institute give full details of the work carried out by these bodies. The provision for the Arts Council and other arts takes account of the expenses of the opening in 1976 of the new National Theatre on the South Bank. The National Film School currently has 67 students on its roll; the first entrants completed their training courses in 1974 and a total of 34 have graduated to date. Provision continues to be made for the crafts.

19. There will be a further review when the Chancellor of the Duchy of Lancaster has completed his enquiry into the financial problems of the arts.

SOCIAL SERVICES

£ million at 1975 Survey prices

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------|---------|---------|---------|---------|---------|---------|
| 456.8 | 371.2 | 378.0 | 328.5 | 299.7 | 299 | 298 |
| 0.3 | 0.4 | 0.2 | 0.3 | 0.3 | — | — |
| 12.9 | 5.6 | 6.7 | 7.9 | 10.6 | 11 | 10 |
| 2,841.3 | 2,973.6 | 3,059.0 | 3,126.4 | 3,174.9 | 3,216 | 3,259 |
| 738.8 | 761.0 | 812.8 | 849.9 | 884.2 | 911 | 938 |
| 67.5 | 66.1 | 76.4 | 75.8 | 77.6 | 79 | 81 |
| 470.0 | 377.2 | 384.9 | 336.7 | 310.6 | 310 | 308 |
| 3,647.6 | 3,800.7 | 3,948.2 | 4,052.1 | 4,136.7 | 4,206 | 4,278 |
| 4,117.6 | 4,177.9 | 4,333.1 | 4,388.8 | 4,447.3 | 4,516 | 4,586 |
| 1.1 | 1.0 | 2.3 | 2.8 | 3.7 | 2 | 2 |
| 141.0 | 112.2 | 112.8 | 61.8 | 53.7 | 53 | 52 |
| 8.3 | 5.2 | 6.3 | 7.0 | 7.1 | 8 | 8 |
| 569.5 | 656.7 | 711.7 | 738.4 | 753.3 | 769 | 784 |
| 142.1 | 113.2 | 115.1 | 64.6 | 57.4 | 55 | 54 |
| 577.8 | 661.9 | 718.0 | 745.4 | 760.4 | 777 | 792 |
| 719.9 | 775.1 | 833.1 | 810.0 | 817.8 | 832 | 846 |
| 0.3 | 0.2 | 2.1 | 1.7 | 1.7 | 1 | 1 |
| 92.8 | 98.8 | 113.8 | 113.6 | 114.5 | 113 | 112 |
| 93.1 | 99.0 | 115.9 | 115.3 | 116.2 | 114 | 113 |
| 0.6 | 0.6 | 0.8 | 0.8 | 0.7 | 1 | — |
| 2.6 | 3.0 | 2.3 | 2.4 | 2.5 | 2 | 3 |
| 3.2 | 3.6 | 3.1 | 3.2 | 3.2 | 3 | 3 |
| 613.0 | 491.2 | 502.9 | 403.8 | 370.4 | 367 | 363 |
| 4,320.8 | 4,564.4 | 4,782.3 | 4,913.5 | 5,014.1 | 5,098 | 5,184 |
| 4,933.8 | 5,055.6 | 5,285.2 | 5,317.3 | 5,384.5 | 5,465 | 5,548 |
| | -8.5 | +4.3 | -38.8 | -93.2 | -152 | |
| | 5,064.1 | 5,280.9 | 5,356.1 | 5,477.7 | 5,617 | |

1. There have been two changes in the scope of the programme since Cmnd 5879. Expenditure on concessionary fares is now contained in the Roads and transport programme and that on mobility allowances has been transferred to the Social security programme.

2. The programme provides for expenditure to increase at about 1½ per cent a year from 1976–77 to 1979–80; within this total, current expenditure will rise by an average of 1·4 per cent a year for hospitals and community health services and 2 per cent a year for personal social services. This provision should be sufficient to maintain present standards of service for the whole population, including the rapidly increasing numbers of old people and of children in care, and to permit the continuing spread of new methods of treatment. In this situation of standstill any further improvements in services or the introduction of new ones will be possible only if corresponding savings are made elsewhere.

3. It remains the Government's policy to encourage improved patterns of care and especially rehabilitation and care in the community, although in the present economic situation it will not be possible to make as much progress as the Government would have liked. In order to ensure joint planning for the best balance of provision between health and personal social services it is proposed to authorise the use of health authority allocations in England on a modest scale, rising possibly to about £20 million by 1979–80, for the joint financing of local authority services where it is accepted by both health and local authorities concerned that this would yield a better return in terms of total care.

4. The Department of Health and Social Security (DHSS) and the Welsh Office will shortly be issuing Consultative Documents outlining recent developments within the Health and Personal Social Services programme in England and Wales, and suggesting for discussion priorities for the deployment of the limited resources available. The Scottish Health Services Planning Council will shortly be consulted about health service priorities in Scotland. Further information on the scale and scope of health services can be found in the annual publication "Health and Personal Social Services Statistics" for England and for Wales, in the Annual Reports of the DHSS, Scottish Home and Health Department, and in the Annual Reports of the Chief Medical Officers of the DHSS and of the Welsh Office.

Hospital and community health services

5. For the country as a whole, much of the increase of 1·4 per cent a year in current expenditure on hospitals and community health services will have to be devoted to those services which cater for the needs of older people. The cost of all other developments, including the additional costs of running new hospitals and other facilities, will have to be met within the total sums available, but an allowance has been made to take account of the phasing out of pay beds from NHS hospitals and to meet other needs. There will thus need to be a greater emphasis on achieving the most effective use of available resources and obtaining savings by improvements

in efficiency (including where necessary the closure of hospitals or units). A considerable amount of work has already been done on proposals to produce a more equitable distribution of resources between the various regional health authorities and the need for this will be even greater given the constraints within which the NHS will have to operate over the next few years. It is intended that similar principles of redistribution should as far as possible be applied to allocations at the area and district levels. This redistribution will have to be carried out within the overall growth rate of 1.4 per cent.

6. Within the total level of planned expenditure, capital expenditure needs to be reduced both in order to give priority to the maintenance of services and to prevent the burden on current expenditure resulting from new capital development exceeding the amount available in future years. Many much needed new hospitals and other developments will not now be able to proceed, and the size of other projects will have to be reduced and their timetable extended. The provision of about £300 million a year will however cover the completion of schemes under construction and allow a modest programme of new developments of high priority, together with schemes needed to maintain existing services e.g. the replacement of medical equipment, ambulances and engineering plant. For new developments economical planning and building standards will need to be widely adopted and emphasis placed wherever possible upon schemes that help to rationalise services and make the best use of existing buildings.

Family practitioner services

7. Primary health care is provided by practitioners taking part in the general medical, dental and ophthalmic services and the pharmaceutical service. Expenditure on these services is expected to grow at an average of 3.3 per cent a year over the period 1976-77 to 1979-80. This rate of growth is based upon the latest estimates of the use which will be made of the range of services offered and also of the increasing numbers of doctors and dentists.

8. Efforts will continue to be made to strengthen the role of the primary health care services within the NHS as a whole. For example, the number of health centres will continue to rise and this will offer increased opportunities for co-operation and concerted action by multi-disciplinary teams working in specially designed premises.

9. The use made of the services in 1974-75 is illustrated by the following figures:

| | | |
|---|---|---------------|
| Patients on doctors' lists | — | 56.5 million |
| Prescriptions dispensed | — | 327.2 million |
| Dental treatments (courses and emergencies) | — | 28.2 million |
| Sight tests | — | 8.3 million |
| Glasses dispensed with NHS lenses | — | 5.7 million |

The number of General Medical Practitioners has been increasing at the rate of about 1½ per cent a year and at 1 October 1974 was 25,096; the average number of patients on each doctor's list has fallen from 2,450 in 1969 to 2,325 in 1974. The number of prescriptions dispensed continues to

rise at the rate of about 9.5 million a year, while dental treatments increase at about 1.5 million a year and are expected to continue to rise, though at a reduced rate. The number of dentists has been increasing at the rate of some 190 a year and had reached 12,704 at 1 October 1974.

Personal social services

10. The current expenditure programme for the personal social services provides for the running costs of residential homes and day centres, and for field social work and domiciliary services, including aids and adaptations for the physically handicapped. It also covers probation and after care in Scotland. The 2 per cent growth in these services is sufficient to cover the current costs resulting from capital investment, and to maintain existing standards of service to those groups in the population (especially the elderly and children in care) whose numbers are increasing. There is provision for a start to be made in carrying out the Children Act 1975 and there should also be room for some expenditure on the training recommendations of the Working Party on Manpower and Training for the Social Services. The programme does not however allow for any general improvement in standards of services. Local authorities in England and Wales have been given guidance on the priorities for using the limited resources available in 1976-77.

11. The capital programme for the personal social services will be maintained at much the same level from year to year, but this will be lower than in recent years because of economic constraints, and in order to bring the programme into a better balance with the likely scale of current expenditure. Within this limitation, it provides for residential accommodation and day facilities for the elderly, the physically or mentally handicapped, the mentally ill and children in care (with particular reference to the provision of secure accommodation for this group). In the coming year, the Government will be exploring with the local authority associations means of increasing the flexibility of the capital programme from year to year, and the freedom of individual authorities to decide their priorities.

TABLE 2.12

| | 1970-71 | 1971-72 | 1972-73 |
|--|----------------|----------------|----------------|
| Pension benefits: national insurance | | | |
| Retirement pensions | 3,386.0 | 3,556.0 | 3,840.0 |
| Invalidity benefit ⁽¹⁾ | — | 158.0 | 318.0 |
| Industrial disablement benefit | 124.0 | 123.0 | 126.0 |
| Widows' pensions and industrial death benefit etc. | 303.0 | 325.0 | 344.0 |
| Pension benefits: other | | | |
| Old persons' pensions | 14.0 | 40.0 | 44.0 |
| War pensions | 244.0 | 239.0 | 244.0 |
| Attendance allowance and invalid care allowance | — | 10.0 | 38.0 |
| Non-contributory invalidity pension | — | — | — |
| Mobility allowance | — | — | — |
| Lump sum payments to pensioners | — | — | 130.0 |
| Supplementary benefit | | | |
| Supplementary pensions | 470.0 | 473.0 | 436.0 |
| Supplementary allowances | 522.0 | 633.0 | 671.0 |
| Family benefits | | | |
| Family allowances, including child interim benefit ⁽²⁾ | 646.0 | 598.0 | 549.0 |
| Family income supplement | — | 6.0 | 16.0 |
| Other non-pension benefits: national insurance | | | |
| Sickness and injury benefits and maternity allowance ⁽¹⁾ | 821.0 | 659.0 | 569.0 |
| Unemployment benefit ⁽³⁾ | 286.0 | 416.0 | 339.0 |
| Widow's allowance, maternity/death grants | 101.0 | 97.0 | 94.0 |
| Administration and miscellaneous services | 283.0 | 313.0 | 320.0 |
| Allowance for uprating improvements over average 1975-76 benefit levels | — | — | — |
| Grand total | 7,200.0 | 7,646.0 | 8,078.0 |
| Changes from Cmnd 5879 revalued | | | |
| Cmnd 5879 revalued | | | |

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

(2) See paragraph 8 of text below.

(3) The figures for unemployment benefit in future years represent a working assumption and not a forecast of unemployment levels.

1. The general pattern of expenditure on the various social security benefits has not altered from that shown in Cmnd 5879. Retirement pensions account for about half the expenditure and other contributory benefits for between a fifth and a quarter. The balance is made up by the non-contributory benefits, principally supplementary benefit.

2. Expenditure in future years on the various individual benefits is expressed in terms of the average levels of benefit during 1975-76, which amounts to assuming that benefits are increased from year to year at the same rate as prices. On this presentation, differences from year to year in the cost of the various individual benefits reflect demographic and other changes affecting the number of beneficiaries.

3. The Government is, however, committed to raising pensions and

SECURITY

£ million at 1975 Survey prices

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------|---------|---------|----------|----------|---------|---------|
| 4,047.0 | 4,462.0 | 4,801.0 | 4,920.0 | 4,963.0 | 4,993 | 5,039 |
| 356.0 | 399.0 | 430.0 | 446.0 | 448.0 | 452 | 460 |
| 128.0 | 137.0 | 144.0 | 143.0 | 143.0 | 142 | 142 |
| 344.0 | 367.0 | 386.0 | 382.0 | 381.0 | 380 | 381 |
| 41.0 | 38.0 | 34.0 | 29.0 | 26.0 | 23 | 19 |
| 242.0 | 254.0 | 260.0 | 245.0 | 236.0 | 228 | 220 |
| 53.0 | 78.0 | 97.0 | 109.0 | 120.0 | 120 | 120 |
| — | — | 17.0 | 46.0 | 67.0 | 71 | 75 |
| — | — | 1.0 | 8.0 | 12.0 | 15 | 19 |
| 118.0 | 115.0 | — | — | — | — | — |
| 398.0 | 388.0 | 386.0 | 381.0 | 376.0 | 371 | 368 |
| 603.0 | 654.0 | 807.0 | 876.0 | 858.0 | 804 | 747 |
| 506.0 | 429.0 | 533.0 | 545.0 | 533.0 | 520 | 508 |
| 18.0 | 15.0 | 13.0 | 12.0 | 12.0 | 12 | 12 |
| 549.0 | 520.0 | 505.0 | 505.0 | 510.0 | 521 | 529 |
| 256.0 | 267.0 | 565.0 | 697.0 | 525.0 | 370 | 245 |
| 87.0 | 86.0 | 84.0 | 84.0 | 85.0 | 86 | 86 |
| 334.0 | 373.0 | 400.0 | 424.0 | 419.0 | 406 | 393 |
| — | — | — | 150.0 | 300.0 | 450 | 600 |
| 8,080.0 | 8,582.0 | 9,463.0 | 10,002.0 | 10,014.0 | 9,964 | 9,963 |
| | +6.2 | +173.0 | +464.0 | +301.0 | +39 | |
| | 8,575.8 | 9,290.0 | 9,538.0 | 9,713.0 | 9,925 | |

other long-term benefits in line with earnings (or with prices if they rise faster) and the main short-term benefits in line with prices—a commitment in practice entailing expenditure to improve long-term benefits in real terms. The assumption is that upratings of the main benefits take place at yearly intervals. 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. To give a broad indication of what may be the cost of such real improvements, flowing from future upratings, a line of rounded figures is shown in Table 2.12. This line includes that part of the real improvement in long-term benefits in November 1975 which is not reflected in the 1975-76 average benefit level. In the absence, however, of an assumption about the rate at which child benefit will be introduced in 1977 (see paragraph 8), the line is net of the decline in the real value of family allowances and child interim benefit which would occur if they

ESTIMATED AVERAGE NUMBERS RECEIVING

| | 1970-71 | 1971-72 | 1972-73 |
|--|---------|---------|---------|
| Retirement pensions | 7,260 | 7,400 | 7,560 |
| Invalidity benefit ⁽¹⁾ | — | — | 430 |
| Industrial Disablement pensions | 205 | 205 | 200 |
| Widows' pensions and industrial death benefit | 575 | 590 | 585 |
| Old persons' pensions | 115 | 130 | 125 |
| War pensions | | | |
| Disablement | 385 | 375 | 360 |
| Widows and other dependants | 135 | 130 | 125 |
| Attendance allowance | — | 85 | 85 |
| Non-contributory invalidity pension | — | — | — |
| Mobility allowance | — | — | — |
| Supplementary benefit | | | |
| Supplementary pensions | 1,890 | 1,930 | 1,900 |
| Supplementary allowances | 860 | 1,000 | 1,050 |
| Family allowances ⁽²⁾ | 6,950 | 7,000 | 7,000 |
| Family income supplement | — | 65 | 90 |
| Sickness and injury benefits ⁽¹⁾ | 990 | 940 | 535 |
| Maternity allowance | 80 | 80 | 75 |
| Unemployment benefit | 370 | 540 | 415 |

(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).

continued at existing rates throughout the Survey period.

4. The table above shows the estimated average numbers receiving the main benefits. There has been a large annual increase in recent years in the number of people over pensionable age and this is reflected in the steady rise in the number drawing retirement pensions. People have been tending to retire earlier, and it is expected that they will continue to do so, the more so because of recent easements in the earnings rule and, for the time being also, because unemployment is so high. The growth in the number receiving retirement pensions will, however, be less pronounced towards the end of the decade. The number over pensionable age claiming a supplementary pension is expected to continue to fall steadily even though fewer people than expected in Cmnd 5879 have chosen to give up benefit and replace it with a rent or rate rebate. The number of claims for attendance allowances for 1975-76 is somewhat higher than was expected in Cmnd 5879, leading to an upward revision of estimates for later years.

5. As regards family allowances, the number of children for whom they are paid has been expected to decline, and it is now reckoned that the decline will be greater than was thought when Cmnd 5879 was written. The table, however, takes no account of over 250,000 first children of single-parent families who will gain from child interim benefit from April 1976, nor of some 7 million other first children who will attract child

THE MAIN BENEFITS AT ANY ONE TIME

Thousands

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------|---------|---------|---------|---------|---------|---------|
| 7,750 | 7,780 | 8,050 | 8,230 | 8,280 | 8,320 | 8,390 |
| 440 | 450 | 460 | 465 | 465 | 470 | 470 |
| 200 | 200 | 200 | 200 | 200 | 200 | 200 |
| 575 | 565 | 555 | 550 | 550 | 545 | 545 |
| 115 | 100 | 90 | 75 | 65 | 60 | 50 |
| 345 | 335 | 320 | 310 | 300 | 290 | 280 |
| 120 | 115 | 110 | 105 | 100 | 95 | 90 |
| 125 | 175 | 210 | 230 | 250 | 250 | 250 |
| — | — | 130 | 145 | 205 | 220 | 235 |
| — | — | 10 | 30 | 45 | 60 | 75 |
| 1,870 | 1,790 | 1,680 | 1,655 | 1,635 | 1,615 | 1,600 |
| 890 | 920 | 1,145 | 1,280 | 1,260 | 1,185 | 1,105 |
| 7,060 | 7,005 | 6,875 | 6,720 | 6,560 | 6,405 | 6,250 |
| 95 | 70 | 60 | 60 | 60 | 60 | 60 |
| 545 | 515 | 530 | 530 | 535 | 535 | 540 |
| 70 | 70 | 65 | 65 | 70 | 70 | 75 |
| 340 | 325 | 700 | 850 | 650 | 450 | 300 |

benefit from April 1977 (see paragraph 8). Claims to the new non-contributory invalidity pension were lower in the initial claim period than had been expected, largely because many of those potentially entitled who were already in receipt of supplementary benefit have not so far chosen to claim. It is assumed that over the Survey period some will claim and that the number of claimants will also increase when the benefit is extended to housewives in 1977-78.

6. Some of the changes in expenditure compared with Cmnd 5879 derive from changed assumptions about the number of beneficiaries in the light of the latest information. For example, the figures in the table assume for working purposes a higher peak and a steeper fall in unemployment than were shown in Cmnd 5879.

7 In both April and November 1975 there were general upratings of benefits. The standard single person's rate of retirement pension, since the November uprating, is £13.30 a week, and the standard single person's rate of both unemployment and sickness benefit is £11.10 a week. The real value of the pension, following the November uprating, was 15 per cent above the rate fixed in October 1973. The retirement pensions earnings limit was raised from £13 to £20 in April 1975 and is to be increased to £35 in April 1976; the Government will be proposing an amendment to the Social Security Act 1975 to provide that increases after that should be in line with the movement of earnings.

8. Family benefits have been improved and will be further extended. Table 2.12 reflects the April 1975 increase in family allowances mentioned in Cmnd 5879, and also the July 1975 increase in the levels of income below which people in full-time work qualify for family income supplement. In April 1976 a new benefit will be available to single-parent families—child interim benefit. It is designed to benefit, at the rate of £1.50 a week, such families not already receiving a social security benefit covering the first child. The expected cost in 1976–77 is £19 million. The benefit is an interim measure pending introduction of the new general scheme of child benefit in April 1977. Child benefit will replace not only family allowances and child interim benefit but also, progressively, child tax allowances. It will be paid for every child so that, unlike family allowances, it will include first children. As the rate of the allowance has not yet been settled, the costs shown in Table 2.12 do not include any extra cost of child benefit over the projected cost, at 1975–76 benefit levels, of family allowances and child interim benefit. Any additional Exchequer cost will be a charge on the contingency reserve.

9. Disabled persons are being helped by general improvements in benefits, but there will also be further developments in specific cash provision for them as follows:

- (a) The first payments of non-contributory invalidity pension for long-term sick and disabled people unable to work who do not qualify for the contributory invalidity pensions were made in November 1975. The Government plans to extend non-contributory invalidity pension to married women dependent on their husbands in 1977–78. The gross cost is shown against the heading for non-contributory invalidity pension in Table 2.12; the net costs are considerably lower because there are offsetting savings in the supplementary benefit lines, and these offsets amount to about £45 million in 1977–78.
- (b) Mobility allowance, a benefit to help finance the transport costs of those unable to walk, was paid to the first qualifying age group in January 1976, and will be extended to all qualifying age groups within about three years. The cost of the mobility allowance, now transferred from the Health and Personal Social Services Programme, is shown in Table 2.12.
- (c) Invalid care allowance, a benefit for those—other than married women living with or maintained by their husbands—who are prevented from going out to work by the need to look after a disabled person who receives attendance allowance, will become payable later in 1976. The gross cost, included in Table 2.12, is £7 million in 1977–78, but the net cost, after offsetting savings on supplementary benefit, is estimated to be about £2 million.

10. The Government's new pensions scheme is now embodied in the Social Security Pensions Act 1975. The new scheme will begin in April 1978 and the improved long-term benefits contained within the scheme

13. OTHER PUBLIC

TABLE 2.13

| | 1970-71 | 1971-72 | 1972-73 |
|---|--------------|--------------|--------------|
| Parliament and Privy Council | | | |
| Functioning of Parliament and the Privy Council | 10.0 | 11.6 | 14.2 |
| Parliamentary election expenses | 5.3 | 0.4 | 0.1 |
| Economic and financial administration | | | |
| Tax and rate collection | 327.9 | 345.1 | 373.2 |
| Other financial administration | 50.9 | 67.0 | 69.1 |
| Post-war credits | 26.1 | 30.6 | 209.7 |
| Central management of the Civil Service | 15.0 | 13.9 | 14.5 |
| Records, registrations and surveys | 27.0 | 36.3 | 24.0 |
| Broadcasting (capital expenditure) | | | |
| British Broadcasting Corporation | 16.7 | 18.2 | 19.1 |
| Independent Broadcasting Authority | 5.2 | 6.3 | 6.7 |
| Other services | 34.9 | 29.9 | 25.6 |
| VAT paid by local authorities | 0.9 | 0.9 | 0.9 |
| Total | 519.9 | 560.2 | 757.1 |
| Changes from Cmnd 5879 revalued | | | |
| Cmnd 5879 revalued | | | |

Tax and rate collection

1. Over half 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. Increases in staff are needed for growth in tax collection work resulting from increased numbers of tax payers and for announced changes in taxation including the introduction of a higher rate of Value Added Tax.

Other financial administration

2. The net costs of the Department for National Savings are expected to fall from about £30 million in 1976-77 to about £23 million in 1979-80 partly reflecting economies in administration and partly the withdrawal of the savings stamp. Also included are the Treasury, including the cost of the UK coinage contract, 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.

SERVICES

£ million at 1975 Survey prices

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------|---------|---------|---------|---------|---------|---------|
| 15.7 | 15.3 | 15.5 | 15.2 | 14.2 | 14 | 14 |
| 6.4 | 8.3 | 0.8 | 0.7 | 0.1 | — | — |
| 363.4 | 408.5 | 440.4 | 464.3 | 474.2 | 472 | 477 |
| 81.3 | 81.8 | 99.2 | 95.6 | 93.3 | 90 | 91 |
| 20.5 | 4.1 | | | | | |
| 15.4 | 15.3 | 15.9 | 15.7 | 14.5 | 14 | 14 |
| 28.9 | 37.5 | 38.7 | 29.9 | 28.0 | 27 | 27 |
| 21.2 | 14.4 | 16.8 | 15.9 | 18.5 | 21 | 22 |
| 6.0 | 4.5 | 7.0 | 6.3 | 4.3 | 4 | 3 |
| 27.2 | 37.6 | 47.3 | 41.3 | 37.9 | 32 | 30 |
| 0.9 | 1.0 | 0.8 | 0.8 | 0.8 | 1 | 1 |
| 586.9 | 628.3 | 682.4 | 685.7 | 685.8 | 675 | 679 |
| | -1.9 | +47.1 | +44.8 | +65.3 | +54 | |
| | 630.2 | 635.3 | 640.9 | 620.5 | 621 | |

4. The provision for the Office of Population, Censuses and Surveys and the General Register Office (Scotland) takes account of the cancellation of a 100 per cent census of population in 1976, which was included in Cmnd 5879, but includes the estimated cost of the preliminary work for a 100 per cent census in 1981. The planned level of expenditure by the Office of Population, Censuses and Surveys will involve a reduction in the scale of surveys carried out for other Government departments.

5. It will not be possible to expand further the Ordnance Survey digital mapping programme during the period.

Broadcasting (capital expenditure)

6. Expenditure covers the capital requirements of the British Broadcasting Corporation (BBC) Home Services and the Independent Broadcasting Authority (IBA). Both bodies are co-ordinating separately financed programmes for the construction of 625-line Ultra High Frequency (UHF) stations to transmit all BBC and IBA television services. The ultimate intention is to replace fully existing 405-line Very High Frequency (VHF) stations; present UHF coverage is about 95 per cent with a target of about 99 per cent coverage 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 is financed by rentals charged to the independent television and local radio companies. The IBA is able to borrow up to £2 million under the provisions of the Independent Broadcasting Authority Act 1973 to finance the independent local radio service.

Other services

7. The largest single item in this category is the capital investment programme of Cable and Wireless Ltd amounting to £95 million for the 5 years up to 1979-80, most of which is abroad. The company, whose shares are wholly owned by the Government, is profitable and has consistently paid a dividend on the Government's £30m shareholding. Its investment is largely financed from internally generated funds, the residue being made up from medium term loans from non-Governmental sources. Its principal activity is the provision of international communication and internal telephone systems in a number of countries and it is an important link in the Commonwealth telecommunications network. Because in the long term countries are likely to take over the running of their own systems, the company is diversifying into related telecommunications activities. The investment programme is less than Cmnd 5879 for two reasons. First, the Company has sought to improve the realism of its forecasts. Second, account has been taken of the running down of the traditional business and the growth of diversification: but the rate of each is necessarily uncertain at this stage.

TABLE 1: 1971 to 1975

| 1975-76 | 1974-75 | 1973-74 | 1972-73 | 1971-72 |
|---|------------|------------|------------|------------|
| Office and general accommodation services | | | | |
| Capital expenditure ... | ... | ... | ... | ... |
| Rent ... | ... | ... | ... | ... |
| Maintenance and other running costs | ... | ... | ... | ... |
| Departmental administration | ... | ... | ... | ... |
| Total | ... | ... | ... | ... |
| Stationery and printing (sheet) | ... | ... | ... | ... |
| Computers and telecommunications | ... | ... | ... | ... |
| Home publicity | ... | ... | ... | ... |
| Civil representation | ... | ... | ... | ... |
| Rates on Government property | ... | ... | ... | ... |
| Other common services | ... | ... | ... | ... |
| Total | ... | ... | ... | ... |
| Change from 1970-71 | ... | ... | ... | ... |
| 1970-71 retained | ... | ... | ... | ... |

Office and general accommodation services

The programme is mainly determined by the area of office space which has to be provided to meet the needs of the Home Civil Service. Though it also includes some expenditure, such as furnishing and running costs, on specialised accommodation like Courts and research establishments. The area of office space provided and forecast to 1975 is as follows (these forecasts will need to be revised when details of the proposed saving in civil service staff costs referred to in paragraph 32 of Part I are settled).

1. At the end of 1970 the total area of office space was 1.5 million sq ft. This was divided into 1.2 million sq ft of office space and 0.3 million sq ft of ancillary space. The total area of office space is expected to be 1.4 million sq ft by the end of 1975. This represents a saving of 0.1 million sq ft.

| Year | Office space (million sq ft) | Ancillary space (million sq ft) | Total (million sq ft) |
|------|------------------------------|---------------------------------|-----------------------|
| 1970 | 1.2 | 0.3 | 1.5 |
| 1971 | 1.2 | 0.3 | 1.5 |
| 1972 | 1.2 | 0.3 | 1.5 |
| 1973 | 1.2 | 0.3 | 1.5 |
| 1974 | 1.2 | 0.3 | 1.5 |
| 1975 | 1.1 | 0.3 | 1.4 |

Figures for 1970 to 1975 are for December each year. The figures for 1975 to 1979 show the position at April each year. These figures are for 1979 and estimates for 1975 to 1979.

TABLE 2.14

| | 1970-71 | 1971-72 | 1972-73 |
|--|--------------|--------------|--------------|
| Office and general accommodation services | | | |
| Capital expenditure | 57.4 | 66.5 | 59.0 |
| Rent | 49.9 | 58.5 | 63.5 |
| Maintenance and other running costs | 51.0 | 53.4 | 45.5 |
| Departmental administration | 36.3 | 29.2 | 32.4 |
| Total | 194.6 | 207.6 | 200.4 |
| Stationery and printing (home) | 62.3 | 68.1 | 70.1 |
| Computers and telecommunications | 18.1 | 21.8 | 30.5 |
| Home publicity | 13.3 | 14.0 | 15.9 |
| Civil superannuation | 139.1 | 145.9 | 155.7 |
| Rates on Government property | 108.5 | 112.7 | 116.3 |
| Other common services | 9.2 | 11.5 | 10.4 |
| Total | 545.1 | 581.6 | 599.3 |
| Changes from Cmnd 5879 revalued | | | |
| Cmnd 5879 revalued | | | |

Office and general accommodation services

1. This programme is mainly determined by the area of office space which has to be provided to meet the needs of the Home Civil Service though it also includes some expenditure, such as furnishing and running costs, on specialised accommodation like Courts and research establishments. The area of office space provided and forecast to 1979 is as follows (these forecasts will need to be revised when details of the proposed saving in civil service staff costs referred to in paragraph 32 of Part 1 are settled): —

Millions of square feet

| | Crown-owned | | Leased | | Total |
|-------------|-------------|-----------|--------|-----------|-------|
| | London | Elsewhere | London | Elsewhere | |
| 1970 | 7.5 | 15.1 | 13.8 | 15.0 | 51.4 |
| 1971 | 7.7 | 15.5 | 13.7 | 15.4 | 52.3 |
| 1972 | 7.8 | 15.8 | 13.9 | 17.8 | 55.3 |
| 1973 | 7.8 | 16.3 | 14.2 | 18.5 | 56.8 |
| 1974 | 7.8 | 16.4 | 14.4 | 19.5 | 58.1 |
| 1975 | 7.8 | 17.0 | 15.1 | 19.6 | 59.5 |
| 1976 | 7.9 | 17.5 | 15.6 | 21.5 | 62.5 |
| 1977 | 8.0 | 18.4 | 16.0 | 22.5 | 64.9 |
| 1978 | 8.0 | 19.0 | 16.3 | 23.2 | 66.5 |
| 1979 | 8.0 | 19.4 | 15.8 | 22.7 | 65.9 |

Figures for 1970 to 1974 are for December each year. The figures for 1975 to 1979 show the position at April each year. Those for 1976 to 1979 are estimates.

SERVICES

£ million at 1975 Survey prices

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------|---------|---------|---------|---------|---------|---------|
| 56.5 | 52.2 | 82.5 | 77.9 | 76.4 | 75 | 74 |
| 67.1 | 77.0 | 80.3 | 83.7 | 80.2 | 78 | 76 |
| 54.1 | 51.6 | 59.4 | 58.0 | 58.0 | 58 | 58 |
| 26.8 | 24.3 | 21.4 | 22.7 | 20.6 | 20 | 19 |
| 204.5 | 205.1 | 243.6 | 242.3 | 235.2 | 231 | 227 |
| 73.4 | 74.7 | 70.7 | 70.7 | 74.1 | 75 | 76 |
| 25.1 | 27.2 | 35.3 | 33.0 | 34.7 | 34 | 33 |
| 18.8 | 15.9 | 23.1 | 14.9 | 14.3 | 13 | 13 |
| 156.0 | 153.8 | 207.6 | 182.1 | 199.9 | 220 | 243 |
| 117.2 | 117.9 | 119.5 | 122.1 | 125.8 | 130 | 134 |
| 11.5 | 11.5 | 12.9 | 13.0 | 13.1 | 13 | 13 |
| 606.5 | 606.1 | 712.7 | 678.1 | 697.1 | 716 | 739 |
| | -3.4 | +5.2 | -7.2 | -32.4 | -49 | |
| | 609.5 | 707.5 | 685.3 | 729.5 | 765 | |

2. Capital expenditure covers the building and furnishing of new Crown-owned offices, occupational services and furnishings for newly leased office premises, adaptations to existing offices and improvement of sub-standard offices and minor works and furnishings in other specialised types of building. New office building, which will take place mainly outside London, includes provision for accommodating work to be dispersed from London.

3. Nearly two-thirds of the office estate is rented; as the new Crown buildings which can be completed from resources available during the period will not meet all requirements, demand for extra space will continue to be met in part by hirings. It is however expected that because of the dispersal from London, where average rents are higher than elsewhere, there will be a small drop in the rent bill at 1975 Survey prices and this trend is expected to continue beyond the period. (Survey prices make no allowance for the fact that many existing leases are well below current market rents, and rent reviews and renewal or replacement of leases will cause some of these rents to increase during this period.)

Stationery and printing (home)

4. 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 £11 million. There have been reductions in planned expenditure which will necessitate further economies in the use of HMSO's services by all Government departments.

Computers and telecommunications

5. This programme covers expenditure on the purchase, hire and maintenance of computer equipment for Government administrative purposes and the hire of processing time from commercial bureaux. It also includes expenditure on associated development studies and the administration cost of the Central Computer Agency (CCA). Some expenditure by the CCA on telecommunications for Government administrative purposes is also included but the major part of such expenditure is included on other programmes.

Home publicity

6. 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 HMSO's 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 reductions in planned expenditure will necessitate economies in the publicity programmes for all departments including the major continuing campaigns.

Civil superannuation

7. Provision has been made in 1975-76 for payments in respect of the accrued pension rights of Civil Servants transferred to the Civil Aviation Authority. The rising trend of the later forecasts reflect the increasing number of retirements expected in these years.

Other common services

8. This programme covers the costs of legal services, the Government Actuary, Civil Service Catering Services and transport services.

TABLE 2.15

| | 1970-71 | 1971-72 | 1972-73 |
|--|--------------|--------------|--------------|
| Expenditure by Northern Ireland Executive Departments | | | |
| Agriculture, fisheries and forestry... .. | 15.1 | 15.9 | 20.1 |
| Trade, industry and employment | 93.3 | 89.9 | 96.0 |
| Fuel | 24.3 | 25.5 | 33.2 |
| Roads and transport | | | |
| Roads | 31.2 | 29.4 | 30.2 |
| Transport | 4.3 | 6.9 | 12.8 |
| Housing | 62.1 | 61.3 | 56.6 |
| Other environmental services | 30.3 | 32.7 | 35.8 |
| Law, order and protective services | 27.2 | 35.5 | 73.5 |
| Education and libraries, science and arts... .. | 103.6 | 111.1 | 130.1 |
| Health and personal social services | 92.9 | 97.6 | 106.9 |
| Social security | 209.6 | 222.9 | 234.4 |
| Other public services | 10.7 | 12.6 | 12.6 |
| Common services | 5.2 | 5.8 | 5.6 |
| VAT paid by local authorities | 1.8 | 1.9 | 2.1 |
| Total | 711.6 | 749.0 | 849.9 |
| Expenditure by United Kingdom Government Departments | | | |
| Agriculture, fisheries and forestry... .. | 55.1 | 53.3 | 44.7 |
| Law, order and protective services | 0.2 | 0.2 | 0.2 |
| Other public services | — | — | 0.8 |
| Common services | — | — | — |
| Total | 55.3 | 53.5 | 45.7 |
| Total | 766.9 | 802.5 | 895.6 |
| Changes from Cmnd 5879 revalued | | | |
| Cmnd 5879 revalued | | | |

1. Table 2.15 shows the division of Northern Ireland expenditure between Northern Ireland departments and United Kingdom departments. It does not include (i) the cost of food subsidies and price guarantees for milk and wool which appear for the United Kingdom as a whole in Table 2.3. (Northern Ireland's share of this in 1975-76 is about £25 million reducing to £2 million in 1979-80); (ii) expenditure by the Intervention Board for Agricultural Produce on market regulation operations to implement the Common Agricultural Policy in the United Kingdom as a whole (also in Table 2.3); and (iii) extra costs attributable to the Army's task in Northern Ireland, which are included within the figures in Table 2.1 and are likely to be of the order of £42 million in 1975-76.

2. Northern Ireland has had to bear its share of the reductions in the

IRELAND

£ million at 1975 Survey prices

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------|---------|---------|---------|---------|---------|---------|
| 31.3 | 32.5 | 37.2 | 35.3 | 30.8 | 26 | 26 |
| 110.4 | 158.9 | 165.4 | 142.8 | 133.3 | 127 | 123 |
| 30.0 | 41.2 | 61.9 | 62.3 | 47.3 | 31 | 24 |
| 41.8 | 42.2 | 44.5 | 42.9 | 44.2 | 41 | 42 |
| 9.9 | 12.5 | 12.6 | 13.3 | 15.3 | 13 | 13 |
| 69.0 | 94.2 | 110.8 | 121.5 | 129.7 | 135 | 141 |
| 38.1 | 44.9 | 52.6 | 52.6 | 50.2 | 48 | 47 |
| 66.3 | 3.0 | 3.6 | 3.4 | 3.4 | 3 | 3 |
| 155.7 | 174.2 | 191.9 | 194.1 | 194.8 | 195 | 195 |
| 140.0 | 152.0 | 160.8 | 166.9 | 169.6 | 170 | 172 |
| 240.0 | 263.7 | 289.2 | 311.6 | 324.9 | 321 | 321 |
| 11.0 | 11.9 | 11.0 | 10.4 | 10.1 | 10 | 10 |
| 8.3 | 8.7 | 11.1 | 9.8 | 10.3 | 10 | 10 |
| 2.2 | 1.7 | 1.9 | 1.9 | 1.7 | 2 | 1 |
| 954.0 | 1,041.6 | 1,154.5 | 1,168.8 | 1,165.6 | 1,132 | 1,128 |
| 34.8 | 44.9 | 28.1 | 23.9 | 21.1 | 18 | 18 |
| 23.2 | 109.1 | 133.6 | 139.2 | 115.4 | 109 | 108 |
| 2.2 | 2.2 | 3.1 | 3.0 | 2.6 | 3 | 3 |
| 0.5 | 2.2 | 1.4 | 1.5 | 1.3 | 1 | 1 |
| 60.7 | 158.4 | 166.2 | 167.6 | 140.4 | 131 | 130 |
| 1,014.7 | 1,200.0 | 1,320.7 | 1,336.4 | 1,306.0 | 1,263 | 1,258 |
| | -64.5 | +16.1 | +53.3 | -0.3 | -45 | |
| | 1,264.5 | 1,304.6 | 1,283.1 | 1,306.3 | 1,308 | |

growth of public expenditure in line with the rest of the United Kingdom and the figures reflect this. Inevitably a number of the improvements which were planned in various services will not now take place. There has also been a switch of resources, averaging about £20 million a year over the period to 1979-80, from the programmes of Northern Ireland departments to the programme of the Northern Ireland Office to help the latter to meet the Government's responsibility for law and order in Northern Ireland.

3. Cmnd 5879 referred to further measures in the field of social and economic planning which were then under examination but which had not progressed to the stage at which their financial implications could be assessed. In the event, despite the need to restrict the growth of public expenditure, room has been found in the programme for the most important of these further measures by omitting items of lesser importance. Priority

has been given to housing; to the creation of jobs in areas of high unemployment; and to those aspects of other programmes such as health and education which can directly bring help and relief to areas of special deprivation. To allow greater concentration on these priorities reductions have had to be made in other programmes, such as roads and comprehensive development schemes in city and town centres. Administrative economies have also been made and the growth in the number of public servants has been severely curtailed.

4. The figures reflect the continuing efforts to preserve existing jobs in industry and agriculture, while maintaining provision for the promotion of new jobs in the difficult current economic climate. The number of jobs promoted in manufacturing industry during the past 5 years has been about 30,000, while in the same period some 36,000 jobs have been preserved by Government assistance. The provision over the next 5 years would allow for a similar overall level of activity. Provision is made for financial assistance to Harland and Wolff up to March 1979 under the Shipbuilding Industry (No. 2) (Northern Ireland) Order 1975.

5. A recent survey has shown that the condition of the housing stock in Northern Ireland is worse than in any other region. Greater emphasis will therefore be placed on the rehabilitation, repair and improvement of existing houses in order to increase the quality and number of houses available for occupation. In addition the Survey provision will be large enough to allow rather more new houses to be completed in the public sector over the next 5 years than the 36,406 which were completed in the past 5 years.

6. Provision under, Law, order and protective services includes the costs involved in the expected increase in the numbers in prison, progress in the change-over from compounds to cells, and the building of a new permanent prison; this is after taking into account the effect of releases from detention. Savings will be achieved by the suspension of plans for a new Police Training College and through an estimated decline in the costs of compensation for Criminal Injuries. Commitments for the expansion announced in 1974 in the strength of the Royal Ulster Constabulary and Royal Ulster Constabulary Reserve will continue to be met.

7. The figures take account of the application to Northern Ireland of policy changes agreed for the rest of the United Kingdom. These include the decisions announced in "The Attack on Inflation" (Cmnd 6151) and the measures for the relief of unemployment announced by the Government in September and October 1975. The total allocation to Northern Ireland under these measures is about £9 million, falling mainly in the years 1975-76 and 1976-77.

16. CONTINGENCY RESERVE AND SHORTFALL

Table 2.16

£ million at 1975 Survey prices

| | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------------------------------|---------|---------|---------|---------|---------|
| Contingency reserve | — | 700 | 900 | 1,200 | 1,400 |
| General deduction for shortfall | -200 | -250 | -250 | -250 | -250 |

Contingency reserve

1. The summary tables of total public expenditure (Tables 1.4 and 4.1) include a contingency reserve. This is intended to cover a number of different types of expenditure.

2. First, not all the policies announced by the Government have yet been developed to the point where cost estimates can be determined with sufficient precision to include them in expenditure programmes. Examples are the expenditure of the British National Oil Corporation; the costs of implementing the Government's devolution policy for Scotland and Wales; and any additional cost of the child benefit scheme. Thus part of the contingency reserve is already subject to claims. 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 (this includes new projects in some categories of industrial support); and the net cost of any modifications in such policies which the Government may find it necessary to introduce at any time during the years ahead. Third, it allows for the possibility that the Government will have to respond to some unpredictable events, such as natural disasters in the United Kingdom, which may arise during the period.

3. In Cmnd 5879 the contingency reserve was, exceptionally, expressed in terms of demand on resources. This was because the policies which were already known to involve a potential call on the contingency reserve included some which mainly involved the purchase of existing assets; and there was therefore an unusually large potential difference between the demand content of some of the likely developments over the next few years and their cost in money. As, however, the public expenditure arising from most of the proposals of that kind has now been incorporated in the relevant programmes, the present White Paper reverts to the former practice of expressing the reserve in volume terms.

General deduction for shortfall

4. Tables 1.4 and 4.1 also include a general deduction for shortfall, not allocated to particular programmes. This deduction is also expressed in volume terms.

5. However carefully estimates and plans are made, it is 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 compared with the planned level for the current year outweigh 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.

Contingency reserve

1. The summary table of total public expenditure (Tables 1.4 and 4.1) include a contingency reserve. This is intended to cover a number of different types of expenditure.

2. First, not all the policies announced by the Government have yet been developed to the point where cost estimates can be determined with sufficient precision to include them in expenditure programmes. Examples are the expenditure of the British National Oil Corporation, the cost of implementing the Government's development policy for Scotland and Wales and any additional cost of the child benefit scheme. This part of the contingency reserve is already subject to claims. 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 forecast with any precision (this includes new projects in some categories of industrial support) and the cost of any modifications to such policies which the Government may find it necessary to introduce at any time during the year ahead. Third, it allows for the possibility that the Government will have to respond to some unpredictable events, such as natural disasters in the United Kingdom, which may arise during the period.

3. In 1968-69 the contingency reserve was exceptionally expressed in terms of demand on resources. This was because the policies which were already known to involve a potential call on the contingency reserve included some which mainly involved the purchase of existing assets and there was therefore an unusually large potential difference between the demand control of some of the likely developments over the next few years and their cost in money. As however, the public expenditure arising from most of the proposals of that kind has now been incorporated in the relevant programmes, the present White Paper refers to the former method of expressing the reserve in volume terms.

General deduction for shortfall

4. Tables 1.4 and 4.1 also include a general deduction for shortfall, not allocated to particular programmes. This deduction is also expressed in volume terms. It is intended to cover a number of different types of expenditure. However, initially estimates and plans are made, it is impossible to guarantee that expenditure will follow them precisely. The incidence of the individual excesses and shortfalls has varied from year to year, but

17. DEBT INTEREST

TABLE 2.17

£ million at 1975 Survey prices

| | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------------------------------|---------|---------|---------|---------|---------|
| Debt interest | 5,000 | 6,200 | 7,000 | 7,500 | 7,500 |
| Changes from Cmnd 5879 revalued | +450 | +1,750 | +2,700 | +3,300 | — |

1. The summary tables of total public expenditure include estimates of debt interest. Debt interest is currently about 10 per cent of public expenditure. It is not amenable to policy decisions in the same sense as other expenditure; it is largely determined by the size of the public sector debt outstanding and rates of interest fixed in the past.

2. Public sector borrowing has risen steeply in recent years, from balance in 1970 to £4 billion in 1973 and £6 billion in 1974, and is currently nearly double that level. Interest rates have also risen considerably over the period. Consequently the cost of servicing the debt has risen substantially and because of the cumulative effect of borrowing seems likely to continue to rise in the next few years. This has made forecasting difficult and the estimates inevitably become less dependable as one moves further into the future. The future levels of debt interest at constant prices depend not only on the size of outstanding debt and the interest payable on it, the amount of new borrowing and of debt maturing and needing to be renewed and the rate of interest which has to be paid on it, but also on future rates of inflation.

3. The recession, attributable in part to the sharp rise in oil prices, has been an important factor in the recent increase in the public sector borrowing requirement; measures to increase taxation or reduce expenditure would have led to an even faster growth of unemployment. As the world economy recovers the Government intends that public sector borrowing should be reduced steadily to a normal level in relation to national income. However this still entails a continuing increase in debt outstanding.

4. Inflation has contributed to the growth in debt interest payments, through its effect on the level of interest rates. However inflation has also mitigated the real burden they impose; since much of debt interest is fixed for long periods in cash terms its real cost is dependent on the level of prices. At constant prices debt interest has increased by only about a quarter in the last five years, from £4 billion in 1970-71 to an estimated £5 billion this year. Following the initiation of the counter-inflation policy set out in "The Attack on Inflation" (Cmnd 6151) the rate of inflation is falling and in the next few years will be significantly below recent high levels. This fall should affect interest rates too, but this will only help with new debt and that part of the old debt that falls due for redemption. So far as the real cost of debt interest is concerned, decelerating inflation will substantially reduce the extent to which the burden is eroded by the falling value of money.

5. Total public sector debt interest this year is expected to amount to some £5 billion. The high level of borrowing at present and in the recent past means that further large increases in interest payments will be unavoidable next year and in 1977-78. At constant prices interest payments are expected to rise by about £1 billion in each of the next two years and reach £7.5 billion in 1978-79 and 1979-80. This represents a large increase in the estimates compared with Cmnd 5879, amounting to over £3 billion in 1978-79. As indicated above, this increase can be attributed to two main causes: the current scale of the borrowing requirement which was insufficiently anticipated when the last White Paper was being prepared, and the additional real cost imposed by a given level of debt interest at lower rates of inflation.

6. The debt interest burden falls largely on the Exchequer, and thus on the taxpayer, but it does not fall on the nation as a whole except insofar as the debt is held abroad. About one seventh of debt interest is paid abroad and represents a charge on the balance of payments which has to be offset by increased exports or fewer imports if our overseas financial position is not to deteriorate. The remainder of debt interest represents an internal transfer of purchasing power. A good deal of it returns to the Exchequer in tax, and of the remainder it is believed that a considerable proportion is saved (adding, for example, to pension funds). Consequently the demand which it places on real resources is lower, £ for £, than the average demand placed on resources by the public expenditure programmes.

7. The reductions made to the spending programmes in future years will therefore have a far more significant effect on the demand on domestic resources than will the increased estimates of debt interest. Nevertheless money has to be found to meet the full liability; and insofar as it does not come from increased tax receipts or lower spending on the programmes, borrowing will be increased.

PART 3

Special Analyses

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SPECIAL ANALYSIS OF EXPENDITURE IN SCOTLAND

TABLE 3.1

| | 1970-71 | 1971-72 | 1972-73 |
|---|---------|---------|---------|
| Agriculture, fisheries and forestry* | 107 | 115 | 98 |
| Trade, industry and employment | 7 | 18 | 14 |
| Nationalised industries' capital expenditure | 150 | 144 | 146 |
| Roads and transport | 148 | 156 | 166 |
| Housing | 499 | 436 | 433 |
| Other environmental services | 195 | 204 | 210 |
| Law, order and protective services | 93 | 102 | 105 |
| Education and libraries, science and arts | 485 | 501 | 545 |
| Health and personal social services | 449 | 472 | 506 |
| Other public services | 16 | 20 | 19 |
| Total | 2,149 | 2,168 | 2,242 |
| Changes from Cmnd 5879 revalued | | | |
| Cmnd 5879 revalued | | | |

* Forestry Commission expenditure is not included.

1. Table 3.1 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 totals 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 1975 Survey prices and do not include provision for the relative price effect.

2. The changes in the Scottish figures as compared with Cmnd 5879 reflect the general reductions in spending in 1976-77 announced in the April 1975 budget and further reductions in capital and current programmes in later years discussed in Part 1. The Trade, industry and employment programme takes account of the setting up of the Scottish Development Agency, the transfer to the Scottish Office of responsibility for selective industrial assistance formerly carried out in Scotland by the Department of Industry and provision for payments to the North of Scotland Hydro-Electric Board towards its losses under a 1968 contract for the supply of electricity to the British Aluminium Company at Invergordon. Provision is made under Other environmental services for the implementation of the Community Land Scheme.

WITHIN THE SECRETARY OF STATE'S RESPONSIBILITY

£ million at 1975 Survey prices

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------|---------|---------|---------|---------|---------|---------|
| 90 | 108 | 92 | 80 | 76 | 72 | 71 |
| 27 | 34 | 26 | 97 | 69 | 74 | 70 |
| 118 | 121 | 165 | 165 | 171 | 189 | 199 |
| 170 | 168 | 193 | 200 | 207 | 196 | 201 |
| 500 | 536 | 550 | 567 | 552 | 538 | 570 |
| 211 | 208 | 226 | 223 | 221 | 218 | 211 |
| 113 | 114 | 121 | 123 | 119 | 119 | 120 |
| 579 | 566 | 605 | 606 | 581 | 560 | 548 |
| 523 | 566 | 598 | 603 | 612 | 620 | 629 |
| 19 | 19 | 20 | 20 | 21 | 21 | 22 |
| 2,350 | 2,440 | 2,596 | 2,684 | 2,629 | 2,607 | 2,641 |
| | -16 | +23 | +38 | -41 | -105 | |
| | 2,456 | 2,573 | 2,646 | 2,670 | 2,712 | |

SPECIAL ANALYSIS OF LOCAL AUTHORITY

TABLE 3.2

| | 1970-71 | 1971-72 | 1972-73 |
|---|--------------|--------------|--------------|
| CURRENT EXPENDITURE | | | |
| Trade, industry and employment ... | 2 | 2 | 2 |
| Roads and transport ... | 48 | 58 | 59 |
| Housing ... | 74 | 65 | 59 |
| Other environmental services ... | 80 | 87 | 87 |
| Law, order and protective services ... | 69 | 73 | 75 |
| Education and libraries, science and arts ... | 346 | 365 | 390 |
| Health and personal services ... | 41 | 50 | 54 |
| Other public services ... | 9 | 11 | 11 |
| Total current expenditure ... | 669 | 711 | 737 |
| CAPITAL EXPENDITURE | | | |
| Agriculture, fisheries and forestry ... | 1 | 1 | 1 |
| Trade, industry and employment ... | — | — | — |
| Roads and transport ... | 55 | 60 | 70 |
| Housing ... | 285 | 252 | 231 |
| Other environmental services ... | 102 | 103 | 103 |
| Law, order and protective services ... | 8 | 10 | 11 |
| Education and libraries, science and arts ... | 77 | 70 | 88 |
| Health and personal social services ... | 5 | 5 | 8 |
| Total capital expenditure ... | 533 | 501 | 512 |
| Total public expenditure ... | 1,202 | 1,212 | 1,249 |

Table 3.2 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. In the course of negotiations with the Convention of Scottish Local Authorities about rate support grant for 1976-77 it became clear that the levels of expenditure actually incurred in 1974-75 and likely to be incurred in 1975-76 were both considerably higher than had been assumed for the purposes of the rate support grant settlements for those years. However, because of difficulties in obtaining sufficiently accurate information following the reorganisation of local government on 16 May 1975, it has not yet been possible in the table to provide firm estimates of the higher outturns likely in those years. For 1975-76, current expenditure may turn out to be close to the figure shown for 1976-77. For that year the figures in the table are consistent with the rate support grant settlement. As indicated in paragraph 41 of Part I, plans for expenditure on individual local authority services in the period beyond 1976-77 have not yet been discussed with the Convention of Scottish Local Authorities.

EXPENDITURE IN SCOTLAND : 1970-71 to 1979-80

£ million at 1975 Survey prices

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------|---------|---------|---------|---------|---------|---------|
| 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| 64 | 63 | 80 | 81 | 79 | 78 | 79 |
| 66 | 67 | 69 | 69 | 81 | 74 | 76 |
| 91 | 99 | 102 | 113 | 106 | 104 | 105 |
| 79 | 82 | 84 | 88 | 87 | 88 | 89 |
| 417 | 437 | 455 | 457 | 448 | 441 | 434 |
| 62 | 71 | 80 | 83 | 84 | 86 | 88 |
| 11 | 11 | 12 | 12 | 12 | 13 | 13 |
| 792 | 832 | 884 | 905(1) | 899 | 886 | 886 |
| 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| — | — | 1 | 2 | 2 | 2 | 2 |
| 72 | 62 | 64 | 81 | 81 | 76 | 68 |
| 259 | 269 | 255 | 250 | 222 | 203 | 208 |
| 102 | 91 | 104 | 92 | 96 | 95 | 87 |
| 11 | 9 | 12 | 9 | 7 | 6 | 6 |
| 94 | 60 | 75 | 70 | 55 | 42 | 37 |
| 11 | 7 | 7 | 7 | 7 | 6 | 6 |
| 550 | 499 | 519 | 512 | 471 | 431 | 415 |
| 1,342 | 1,331 | 1,403 | 1,417 | 1,370 | 1,317 | 1,301 |

(1) This is consistent with the level of relevant expenditure accepted in the 1976-77 rate support grant settlement for Scotland (£1,220 million at November 1975 prices). Relevant expenditure includes loan charges and capital expenditure met from revenue; it excludes expenditure on rent rebates, rent allowances, slum clearance and contribution to housing revenue accounts.

SPECIAL ANALYSIS OF EXPENDITURE IN WALES

TABLE 3.3

| | 1970-71 | 1971-72 | 1972-73 |
|--|------------|------------|------------|
| Trade, industry and employment | 1 | 1 | 2 |
| Roads and transport | 76 | 92 | 100 |
| Housing... .. | 95 | 103 | 91 |
| Other environmental services... .. | 99 | 104 | 118 |
| Education and libraries, science and arts | 176 | 191 | 206 |
| Health and personal social services | 226 | 230 | 240 |
| Other public services | 2 | 2 | 2 |
| Total | 675 | 723 | 759 |
| Changes from Cmnd 5879 revalued | | | |
| Cmnd 5879 revalued | | | |

1. Table 3.3 summarises expenditure by central government, local authorities, public corporations, the Welsh Development Agency, and the Land Authority for Wales on services in Wales within the Secretary of State's responsibility. The figures are contained within the totals shown in Tables 2.4, 2.6 to 2.8, 2.10, 2.11 and 2.13. The objectives and main determinants of the expenditure are explained in the commentaries on those tables.

2. The changes in the Welsh figures as compared with Cmnd 5879 reflect the general reduction in spending in 1976-77 announced in the April 1975 Budget statement; and further reductions in capital and current programmes in later years as a result of this review. The Trade, industry and employment programme takes account of the setting up of the Welsh Development Agency and the transfer to the Welsh Office of responsibility for selective assistance to industry formerly carried out in Wales by the Department of Industry. Provision is made under Other environmental services for the implementation of the Community Land Scheme.

WITHIN THE SECRETARY OF STATE'S RESPONSIBILITY

£ million at 1975 Survey prices

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------|---------|---------|---------|---------|---------|---------|
| 4 | 2 | 23 | 24 | 28 | 31 | 32 |
| 95 | 93 | 106 | 112 | 103 | 106 | 107 |
| 119 | 205 | 160 | 153 | 142 | 136 | 139 |
| 136 | 114 | 121 | 115 | 113 | 111 | 112 |
| 212 | 210 | 216 | 217 | 213 | 209 | 206 |
| 249 | 258 | 267 | 267 | 271 | 275 | 280 |
| 3 | 4 | 4 | 4 | 4 | 4 | 4 |
| 818 | 886 | 897 | 892 | 874 | 872 | 880 |
| | | +17 | -4 | -47 | -72 | |
| | | 880 | 896 | 921 | 944 | |

SPECIAL ANALYSIS OF LOCAL AUTHORITY

TABLE 3.4

| | 1970-71 | 1971-72 | 1972-73 |
|---|------------|------------|------------|
| CURRENT EXPENDITURE | | | |
| Roads and transport | 30 | 31 | 32 |
| Housing | 6 | 6 | 10 |
| Other environmental services | 32 | 33 | 35 |
| Education and libraries, science and arts... .. | 146 | 152 | 161 |
| Health and personal social services | 18 | 20 | 23 |
| Other public services | 2 | 2 | 2 |
| Total current expenditure | 234 | 244 | 263 |
| CAPITAL EXPENDITURE(1) | | | |
| Key sector | | | |
| Roads and transport | 10 | 10 | 13 |
| Housing | 69 | 72 | 64 |
| Other environmental services | 2 | 3 | 8 |
| Education and libraries, science and arts... .. | 25 | 34 | 39 |
| Health and personal social services | 3 | 4 | 5 |
| Total key sector | 109 | 123 | 129 |
| Locally determined sector | | | |
| Roads and transport | 7 | 9 | 12 |
| Other environmental services | 11 | 13 | 18 |
| Education and libraries, science and arts... .. | 2 | 2 | 3 |
| Health and personal social services | 1 | — | — |
| Total locally determined sector | 21 | 24 | 33 |
| Total capital expenditure | 130 | 147 | 162 |
| Total public expenditure | 364 | 391 | 425 |

(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.

EXPENDITURE IN WALES: 1970-71 to 1979-80

£ million at 1975 Survey prices

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------|---------|---------|---------|---------|---------|---------|
| 35 | 37 | 38 | 41 | 35 | 35 | 35 |
| 20 | 21 | 21 | 14 | 16 | 16 | 17 |
| 45 | 46 | 45 | 44 | 44 | 42 | 43 |
| 173 | 185 | 192 | 196 | 197 | 196 | 194 |
| 26 | 30 | 32 | 33 | 34 | 35 | 35 |
| 2 | 3 | 3 | 3 | 3 | 3 | 3 |
| 301 | 322 | 331 | 331 | 329 | 327 | 327 |
| 15 | 16 | 11 | 9 | 9 | 10 | 10 |
| 80 | 146 | 92 | 80 | 68 | 65 | 63 |
| 5 | 3 | 6 | 1 | 2 | 4 | 3 |
| 31 | 19 | 15 | 14 | 9 | 6 | 6 |
| 7 | 6 | 5 | 3 | 2 | 2 | 2 |
| 138 | 190 | 129 | 107 | 90 | 87 | 84 |
| 12 | 12 | 9 | 10 | 9 | 9 | 9 |
| 26 | 25 | 16 | 13 | 13 | 12 | 12 |
| 4 | 2 | 4 | 3 | 3 | 3 | 3 |
| 1 | 1 | 1 | 1 | 1 | 1 | — |
| 43 | 40 | 30 | 27 | 26 | 25 | 24 |
| 181 | 230 | 159 | 134 | 116 | 112 | 108 |
| 482 | 552 | 490 | 465 | 445 | 439 | 435 |

SPECIAL ANALYSIS OF LOCAL AUTHORITY

TABLE 3.5

| | 1970-71 | 1971-72 | 1972-73 |
|---|---------|---------|---------|
| CURRENT EXPENDITURE | | | |
| Agriculture, fisheries and forestry | 3 | 3 | 2 |
| Trade, industry and employment | 16 | 16 | 16 |
| Roads and transport | 399 | 424 | 454 |
| Housing | 146 | 80 | 203 |
| Other environmental services | 630 | 652 | 687 |
| Law, order and protective services | 728 | 760 | 770 |
| Education and libraries, science and arts... .. | 3,213 | 3,426 | 3,622 |
| Health and personal social services | 360 | 391 | 449 |
| Other public services | 36 | 41 | 41 |
| Total current expenditure | 5,531 | 5,793 | 6,244 |
| CAPITAL EXPENDITURE (1) | | | |
| Key sector | | | |
| Agriculture, fisheries and forestry | 2 | 3 | 4 |
| Roads and transport | 354 | 348 | 382 |
| Housing | 1,705 | 1,543 | 1,479 |
| Other environmental services | 23 | 20 | 59 |
| Law, order and protective services | 64 | 61 | 31 |
| Education and libraries, science and arts... .. | 430 | 494 | 572 |
| Health and personal social services | 61 | 70 | 91 |
| Total key sector | 2,639 | 2,539 | 2,618 |
| Locally determined sector | | | |
| Agriculture, fisheries and forestry | — | -2 | -14 |
| Trade, industry and employment | 1 | 1 | 1 |
| Roads and transport | 163 | 150 | 159 |
| Housing | 7 | 7 | 7 |
| Other environmental services | 383 | 332 | 363 |
| Law, order and protective services | 15 | 20 | 17 |
| Education and libraries, science and arts... .. | 116 | 131 | 142 |
| Personal social services | 7 | 7 | 9 |
| Total locally determined sector | 692 | 646 | 684 |
| Total capital expenditure | 3,331 | 3,185 | 3,302 |
| Total public expenditure | 8,862 | 8,978 | 9,546 |

(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.

Table 3.5 above gives details of current and capital expenditure by local authorities in England and Wales on the programmes described in Part 2 of this White Paper. Current expenditure in 1975-76, while showing markedly slower growth than in the previous year, is nevertheless expected to exceed the level allowed for in the 1974 rate support grant settlement: in broad terms by an amount corresponding to the growth planned for 1976-77 in Cmnd 5879 as modified by the 1975 Budget. The rate support grant settlement for 1976-77 was accordingly made on the basis of a standstill, in the sense that expenditure

EXPENDITURE IN ENGLAND AND WALES: 1970-71 to 1979-80

£ million at 1975 Survey prices

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------|---------|---------|----------------------|---------|---------|---------|
| 2 | 3 | 2 | 2 | 2 | 2 | 2 |
| 19 | 20 | 21 | 24 | 22 | 23 | 24 |
| 474 | 592 | 631 | 583 | 523 | 472 | 473 |
| 393 | 458 | 430 | 403 | 431 | 445 | 457 |
| 719 | 825 | 906 | 858 | 833 | 801 | 806 |
| 791 | 846 | 891 | 909 | 915 | 923 | 937 |
| 3,844 | 4,070 | 4,191 | 4,284 | 4,307 | 4,309 | 4,302 |
| 509 | 587 | 633 | 657 | 671 | 684 | 698 |
| 44 | 61 | 65 | 62 | 61 | 61 | 61 |
| 6,795 | 7,462 | 7,770 | 7,782 ⁽²⁾ | 7,765 | 7,720 | 7,760 |
| 2 | 5 | 5 | 1 | — | — | — |
| 389 | 339 | 325 | 323 | 280 | 249 | 246 |
| 1,828 | 2,330 | 1,942 | 1,643 | 1,597 | 1,619 | 1,625 |
| 109 | 54 | 63 | 33 | 76 | 117 | 97 |
| 48 | 50 | 64 | 50 | 46 | 33 | 23 |
| 528 | 399 | 303 | 295 | 227 | 183 | 170 |
| 118 | 97 | 95 | 45 | 41 | 41 | 41 |
| 3,022 | 3,274 | 2,797 | 2,390 | 2,267 | 2,242 | 2,202 |
| 1 | —1 | —3 | —3 | —3 | —1 | —1 |
| 1 | 1 | 10 | 12 | 12 | 12 | 12 |
| 159 | 130 | 159 | 147 | 135 | 121 | 119 |
| 6 | 7 | 11 | 11 | 7 | 7 | 7 |
| 349 | 356 | 268 | 224 | 218 | 166 | 165 |
| 13 | 13 | 14 | 13 | 10 | 7 | 4 |
| 153 | 122 | 91 | 86 | 84 | 71 | 66 |
| 11 | 9 | 10 | 9 | 6 | 6 | 6 |
| 693 | 637 | 560 | 499 | 469 | 389 | 378 |
| 3,715 | 3,911 | 3,357 | 2,889 | 2,736 | 2,631 | 2,580 |
| 10,510 | 11,373 | 11,127 | 10,671 | 10,501 | 10,351 | 10,340 |

⁽²⁾ This is consistent with the level of relevant expenditure accepted in the 1976-77 rate support grant settlement for England and Wales (£10,461 million at November 1975 prices). Relevant expenditure includes loan charges and capital expenditure met from revenue; there are also differences in the treatment of housing subsidies.

in that year would have to be kept within the level forecast for 1975-76 at the time of the settlement. The Government have announced that a cash limit—set at £480 million—will be placed on the amount of additional grant that will be paid in respect of pay and price increases affecting the 1976-77 settlement. The expenditure summarised in this table is the subject of discussions between Ministers and representatives of the local authorities, meeting as the Consultative Council on Local Government Finance and the Consultative Council for Wales.

PART 4

Additional Statistics

TABLE 4.1

| <i>Table</i> | | Pages |
|--------------|--|---------|
| 4.1 | Public expenditure by main programme in cost terms: 1970-71 to 1979-80 | 132-133 |
| 4.2 | Increase in public sector demand on output in cost terms: 1975-76 to 1979-80 | 134 |
| 4.3 | Public Expenditure by economic category: 1970-71 to 1979-80... | 136-137 |
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1. Estimates of expenditure "in cost terms" are intended to show changes in the real cost of expenditure, taking into account changes in relative prices, which affect the cost of expenditure in terms of other expenditure foregone, but discounting the effect of general price increases. So far as the past is concerned, the figures are arrived at by adjusting cash figures to a 1975-76 base, using the GDP deflator (the index of home costs) as a proxy for changes in prices in general. Estimates on a comparable basis for future years are derived by adjusting volume estimates (at 1975-76 prices) to take account of estimated trends in relative prices of certain elements in costs, particularly wages and salaries and housing and construction costs; in practice there can be a good deal of fluctuation about trends, and these estimates are not forecasts for specific years.

2. For a fuller explanation see Part 2, Section II.

PUBLIC EXPENDITURE BY PROGRAMME

TABLE 4.1

| | 1970-71 | 1971-72 | 1972-73 |
|---|---------|---------|---------|
| <i>At 1975-76 prices, including the relative price effect</i> | | | |
| 1. Defence | 4,757 | 4,940 | 4,920 |
| 2. Overseas aid and other overseas services ... | 655 | 675 | 794 |
| 3. Agriculture, fisheries and forestry | 696 | 774 | 664 |
| 4. Trade, industry and employment | 2,272 | 2,155 | 2,376 |
| 5. Nationalised industries' capital expenditure ... | 3,016 | 2,883 | 2,805 |
| 6. Roads and transport | 1,963 | 1,864 | 2,017 |
| 7. Housing | 2,385 | 2,068 | 2,368 |
| 8. Other environmental services | 1,693 | 1,709 | 1,861 |
| 9. Law, order and protective services | 1,177 | 1,261 | 1,311 |
| 10. Education and libraries, science and arts ... | 5,338 | 5,648 | 6,101 |
| 11. Health and personal social services | 4,393 | 4,567 | 4,843 |
| 12. Social security | 7,190 | 7,643 | 8,002 |
| 13. Other public services | 607 | 663 | 831 |
| 14. Common services | 576 | 619 | 638 |
| 15. Northern Ireland | 971 | 1,025 | 1,085 |
| <i>Civil Service staff costs</i> | | | |
| Total programmes | 37,689 | 38,494 | 40,616 |
| Debt interest | 4,142 | 4,031 | 4,048 |
| Contingency reserve | — | — | — |
| Shortfall | — | — | — |
| Total in cost terms | 41,831 | 42,525 | 44,664 |
| <i>Less: relative price effect</i> | -2,300 | -2,450 | -2,300 |
| Total in volume terms at 1975-76 prices (rounded) | 44,150 | 45,000 | 46,950 |

1. Estimates of expenditure "in cost terms" are intended to show changes in the real cost of expenditure, taking into account changes in relative prices, which affect the cost of expenditure in terms of other expenditure forgone, but discounting the effect of general price increases. So far as the past is concerned, the figures are arrived at by adjusting cash figures to a 1975-76 basis, using the GDP deflator (the index of home costs) as a proxy for changes in prices in general. Estimates on a comparable basis for future years are derived by adjusting volume estimates (at 1975-76 prices) to take account of estimated trends in relative prices of certain elements in costs, particularly wages and salaries and housing and construction costs; in practice there can be a good deal of fluctuation about trends, and these estimates are not forecasts for specific years.

2. For a fuller explanation see Part 5, Section II.

IN COST TERMS: 1970-71 to 1979-80

£ million

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------|---------|---------|---------|---------|---------|---------|
| 5,037 | 5,151 | 5,403 | 5,492 | 5,535 | 5,559 | 5,627 |
| 876 | 873 | 772 | 928 | 1,004 | 1,083 | 1,147 |
| 812 | 1,555 | 1,481 | 1,030 | 882 | 683 | 654 |
| 3,089 | 3,299 | 2,882 | 2,422 | 2,226 | 2,262 | 2,261 |
| 2,587 | 3,212 | 3,749 | 3,437 | 2,968 | 3,084 | 3,191 |
| 2,217 | 2,570 | 2,656 | 2,489 | 2,288 | 2,085 | 2,068 |
| 3,639 | 5,057 | 4,203 | 4,274 | 4,146 | 3,997 | 4,031 |
| 2,228 | 2,302 | 2,388 | 2,195 | 2,205 | 2,128 | 2,130 |
| 1,417 | 1,528 | 1,620 | 1,667 | 1,686 | 1,690 | 1,726 |
| 6,460 | 7,060 | 6,968 | 7,093 | 7,099 | 7,080 | 7,159 |
| 5,131 | 5,794 | 6,199 | 6,304 | 6,486 | 6,680 | 6,892 |
| 8,199 | 8,620 | 9,517 | 10,063 | 10,082 | 10,037 | 10,040 |
| 688 | 736 | 801 | 815 | 829 | 831 | 853 |
| 624 | 651 | 781 | 735 | 751 | 805 | 812 |
| 1,159 | 1,383 | 1,487 | 1,500 | 1,463 | 1,418 | 1,417 |
| | | | | -60 | -170 | -160 |
| 44,163 | 49,791 | 50,907 | 50,444 | 49,590 | 49,252 | 49,849 |
| 4,764 | 4,757 | 5,000 | 6,200 | 7,000 | 7,500 | 7,500 |
| — | — | — | 700 | 900 | 1,200 | 1,400 |
| — | — | -200 | -250 | -250 | -250 | -250 |
| 48,927 | 54,548 | 55,707 | 57,094 | 57,240 | 57,702 | 58,499 |
| -1,150 | 850 | — | 50 | 250 | 500 | 800 |
| 50,100 | 53,700 | 55,700 | 57,050 | 57,000 | 57,200 | 57,700 |

Increase in public sector demand on output in cost terms: 1975-76 to 1979-80

TABLE 4.2

| | Expenditure | Demand on Output(1) | |
|--|----------------------|----------------------|--|
| | 1975-76 £ million | 1975-76 £ million | Average annual percentage increase 1975-76 to 1979-80 |
| <i>At 1975-76 outturn prices including the relative price effect</i> | | | |
| Public expenditure with: | | | |
| Direct effect on demand | | | |
| Goods and services | | | |
| Current | 22,877 | 21,908 | 1.8 |
| Capital | 9,953 | 9,004 | -5.7 |
| Total | 32,830 | 30,912 | -0.2 |
| Indirect effect on demand | | | |
| Transfer payments and net lending | 23,077 | 15,692 | 1.9(2) |
| Contingency reserve and shortfall | -200 | -165 | — |
| Total | 55,707 | 46,439 | 1.1(2) |

(1) The basis of the estimates of demand on output is described briefly in Part 5, Section I. These estimates differ in some respects from the estimates in Table 1.1, which excludes from public expenditure (line C 1 e) the effect of overseas transfers (which is taken into account in the balance of payments requirement) and also nationalised industries' capital investment.

(2) Excludes investment grants.

PUBLIC EXPENDITURE BY ECONOMIC

TABLE 43 - 1972-73

| 1972-73 | 1971-72 | 1970-71 | | | |
|---------|---------|---------|--|--|--|
| 14,357 | 17,162 | 14,987 | Current expenditure | | |
| 2,982 | 3,916 | 2,870 | Wages and salaries | | |
| 7,417 | 8,073 | 8,112 | Other current expenditure on goods and services | | |
| 3,958 | 4,011 | 4,042 | Subsidies | | |
| 2,236 | 2,023 | 2,314 | Grant-in-aid | | |
| 1,701 | 1,988 | 1,711 | Grant-in-aid to persons | | |
| 6,651 | 6,368 | 6,731 | Grant-in-aid to private bodies | | |
| 6,333 | 6,176 | 6,320 | Grant-in-aid abroad | | |
| | | | Grant-in-aid to other countries | | |
| 22,789 | 27,450 | 26,219 | Total | | |
| 3,212 | 7,812 | 4,230 | Capital expenditure | | |
| 17,577 | 19,638 | 21,989 | Gross domestic fixed capital formation | | |
| 11,990 | 13,166 | 14,257 | Increase in value of stocks | | |
| 17,360 | 18,329 | 19,310 | Capital grants to private sector | | |
| 6,147 | 6,130 | 6,132 | Net lending to private sector | | |
| | | | Net lending to overseas governments | | |
| | | | Drawings from United Kingdom subscriptions to international lending bodies | | |
| 41 | 23 | 20 | Other net lending and investment abroad | | |
| 1,827 | 68 | 49 | Cash expenditure on company securities (net) | | |
| 27 | 61 | 12 | Capital transfers abroad | | |
| 12,63 | | | | | |
| 16,262 | 27,652 | 30,449 | Total | | |
| | | | Company reserve | | |
| | | | Shortfall | | |
| 34,029 | 55,304 | 60,898 | Total | | |

PUBLIC EXPENDITURE BY ECONOMIC

TABLE 4.3

| | 1970-71 | 1971-72 | 1972-73 |
|--|---------|---------|---------|
| Current expenditure | | | |
| Wages and salaries | 10,407 | 10,865 | 11,331 |
| Other current expenditure on goods and services... | 5,670 | 5,916 | 5,964 |
| Subsidies | 1,615 | 1,673 | 1,617 |
| Debt interest | 4,142 | 4,031 | 4,048 |
| Current grants to persons | 7,534 | 8,023 | 8,836 |
| Current grants to private bodies | 531 | 566 | 604 |
| Current grants abroad | 320 | 376 | 397 |
| <i>Civil service staff costs</i> | | | |
| Total | 30,219 | 31,450 | 32,797 |
| Capital expenditure | | | |
| Gross domestic fixed capital formation | 8,240 | 7,812 | 7,785 |
| Increase in value of stocks | 120 | 85 | 300 |
| Capital grants to private sector | 1,257 | 1,166 | 990 |
| Net lending to private sector | 310 | 329 | 360 |
| Net lending to overseas governments | 135 | 130 | 147 |
| Drawings from United Kingdom subscriptions to international lending bodies | 20 | 23 | 41 |
| Other net lending and investment abroad | 49 | 66 | 547 |
| Cash expenditure on company securities (net) | 15 | 61 | 27 |
| Capital transfers abroad | | | 65 |
| Total | 10,146 | 9,672 | 10,262 |
| Contingency reserve | | | |
| Shortfall | | | |
| Total | 40,365 | 41,122 | 43,059 |

CATEGORY : 1970-71 to 1979-80

£ million at 1975 Survey prices

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------|---------|---------|---------|---------|---------|---------|
| 11,799 | 12,737 | 12,914 | 13,034 | 13,041 | 13,078 | 13,141 |
| 6,102 | 5,898 | 6,666 | 6,754 | 6,763 | 6,724 | 6,772 |
| 2,585 | 3,972 | 3,349 | 2,817 | 2,435 | 2,126 | 2,128 |
| 4,764 | 4,757 | 5,000 | 6,200 | 7,000 | 7,500 | 7,500 |
| 8,757 | 9,312 | 10,289 | 10,916 | 10,952 | 10,954 | 11,006 |
| 666 | 710 | 774 | 783 | 762 | 750 | 757 |
| 505 | 339 | 392 | 624 | 689 | 768 | 819 |
| | | | | -50 | -140 | -130 |
| 35,178 | 37,725 | 39,384 | 41,128 | 41,592 | 41,760 | 41,993 |
| 8,242 | 8,373 | 8,844 | 8,609 | 7,987 | 7,754 | 7,789 |
| -47 | 228 | 356 | 83 | 13 | 61 | 71 |
| 1,021 | 954 | 918 | 1,096 | 1,049 | 987 | 1,005 |
| 641 | 884 | 582 | 553 | 654 | 674 | 648 |
| 106 | 94 | 164 | 39 | 40 | 22 | 14 |
| 59 | 69 | 62 | 110 | 122 | 140 | 146 |
| 581 | 576 | 528 | 402 | 437 | 491 | 503 |
| 18 | 262 | 534 | 15 | 7 | 3 | 3 |
| 32 | 89 | | | | | |
| 10,653 | 11,529 | 11,988 | 10,907 | 10,309 | 10,132 | 10,179 |
| | | | 700 | 900 | 1,200 | 1,400 |
| | | -200 | -250 | -250 | -250 | -250 |
| 45,831 | 49,254 | 51,172 | 52,485 | 52,551 | 52,842 | 53,322 |

**PUBLIC EXPENDITURE BY SPENDING AUTHORITY,
1970-71**

TABLE 4.4

| | | 1970-71 | 1971-72 | 1972-73 |
|-------------------------|------------------------|---------------|---------------|---------------|
| Central Government | | | | |
| Supply | Current ⁽¹⁾ | 13,906 | 14,560 | 14,709 |
| | Capital ... | 2,555 | 2,506 | 2,909 |
| Other | current ... | 5,786 | 6,154 | 6,816 |
| | capital ... | 36 | -37 | 69 |
| Local authorities | current ... | 6,385 | 6,705 | 7,224 |
| | capital ... | 3,961 | 3,783 | 3,896 |
| Public corporations | capital ... | 3,594 | 3,420 | 3,388 |
| Debt interest ... | ... | 4,142 | 4,031 | 4,048 |
| Contingency reserve ... | ... | | | |
| Shortfall ... | ... | | | |
| Total ... | ... | 40,365 | 41,122 | 43,059 |

(1) Including savings in civil service staff costs, referred to in Part 1, paragraph 32.

DISTINGUISHING CURRENT AND CAPITAL EXPENDITURE : to 1979-80

£ million at 1975 Survey prices

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------|---------|---------|---------|---------|---------|---------|
| 15,714 | 17,126 | 17,499 | 17,428 | 17,036 | 16,672 | 16,695 |
| 2,968 | 2,706 | 3,301 | 2,816 | 2,810 | 2,720 | 2,734 |
| 6,902 | 7,366 | 8,044 | 8,620 | 8,699 | 8,789 | 8,957 |
| 62 | 509 | 24 | 154 | 169 | 150 | 143 |
| 7,798 | 8,476 | 8,841 | 8,880 | 8,857 | 8,799 | 8,841 |
| 4,321 | 4,440 | 3,894 | 3,412 | 3,206 | 3,060 | 2,983 |
| 3,302 | 3,874 | 4,769 | 4,525 | 4,124 | 4,202 | 4,319 |
| 4,764 | 4,757 | 5,000 | 6,200 | 7,000 | 7,500 | 7,500 |
| | | | 700 | 900 | 1,200 | 1,400 |
| | | -200 | -250 | -250 | -250 | -250 |
| 45,831 | 49,254 | 51,172 | 52,485 | 52,551 | 52,842 | 53,322 |

| 1973-74 | 1974-75 | 1975-76 | 1976-77 | 1977-78 | 1978-79 | 1979-80 |
|---------|---------|---------|---------|---------|---------|---------|
| 1,214 | 1,214 | 1,214 | 1,214 | 1,214 | 1,214 | 1,214 |
| 979 | 979 | 979 | 979 | 979 | 979 | 979 |
| 1,082 | 1,082 | 1,082 | 1,082 | 1,082 | 1,082 | 1,082 |
| 901 | 901 | 901 | 901 | 901 | 901 | 901 |
| 1,315 | 1,315 | 1,315 | 1,315 | 1,315 | 1,315 | 1,315 |
| 138 | 138 | 138 | 138 | 138 | 138 | 138 |
| 2,299 | 2,299 | 2,299 | 2,299 | 2,299 | 2,299 | 2,299 |
| 602 | 602 | 602 | 602 | 602 | 602 | 602 |
| 4,913 | 4,913 | 4,913 | 4,913 | 4,913 | 4,913 | 4,913 |
| 404 | 404 | 404 | 404 | 404 | 404 | 404 |
| 10,002 | 10,002 | 10,002 | 10,002 | 10,002 | 10,002 | 10,002 |
| 630 | 630 | 630 | 630 | 630 | 630 | 630 |
| 28 | 28 | 28 | 28 | 28 | 28 | 28 |
| 288 | 288 | 288 | 288 | 288 | 288 | 288 |
| 114 | 114 | 114 | 114 | 114 | 114 | 114 |
| 97 | 97 | 97 | 97 | 97 | 97 | 97 |
| 22 | 22 | 22 | 22 | 22 | 22 | 22 |
| 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 |
| 20,572 | 20,572 | 20,572 | 20,572 | 20,572 | 20,572 | 20,572 |

**Public expenditure by main programme and spending authority,
distinguishing current and capital expenditure : 1976-77**

TABLE 4.5

£ million at 1975 Survey prices

| | Central Government | | Local authorities | Public Corporations | Total |
|---|--------------------|--------|-------------------|---------------------|--------|
| | Supply | Other | | | |
| 1. Defence | | | | | |
| Current | 4,497 | -13 | — | — | 4,484 |
| Capital | 79 | 23 | — | — | 102 |
| 2. Overseas aid and other overseas services | | | | | |
| Current | 538 | 170 | — | — | 708 |
| Capital | 153 | 3 | — | 18 | 174 |
| 3. Agriculture, fisheries and forestry | | | | | |
| Current | 876 | — | 2 | — | 878 |
| Capital | 111 | -3 | — | 1 | 109 |
| 4. Trade, industry and employment | | | | | |
| Current | 979 | 98 | 27 | — | 1,104 |
| Capital | 981 | -32 | 13 | 206 | 1,168 |
| 5. Nationalised industries | | | | | |
| Current | -92* | — | — | — | -92 |
| Capital | — | — | -40* | 3,182 | 3,142 |
| 6. Roads and transport | | | | | |
| Current | 539 | -2 | 677 | — | 1,214 |
| Capital | 388 | 4 | 553 | 34 | 979 |
| 7. Housing | | | | | |
| Current | 1,088 | — | 471 | — | 1,559 |
| Capital | 349 | -4 | 1,904 | 289 | 2,538 |
| 8. Other environmental services | | | | | |
| Current | 89 | — | 993 | — | 1,082 |
| Capital | 10 | — | 351 | 602 | 963 |
| 9. Law, order and protective services | | | | | |
| Current | 304 | 7 | 1,001 | — | 1,312 |
| Capital | 85 | — | 73 | — | 158 |
| 10. Education and libraries, science and arts | | | | | |
| Current | 824 | — | 4,775 | — | 5,599 |
| Capital | 177 | -1 | 459 | — | 635 |
| 11. Health and personal social services | | | | | |
| Current | 4,167 | 4 | 742 | — | 4,913 |
| Capital | 341 | — | 63 | — | 404 |
| 12. Social security | | | | | |
| Current | 2,411 | 7,591 | — | — | 10,002 |
| 13. Other public services | | | | | |
| Current | 523 | 33 | 74 | — | 630 |
| Capital | 6 | 2 | — | 48 | 56 |
| 14. Common services | | | | | |
| Current | 588 | -24 | — | — | 564 |
| Capital | 114 | — | — | — | 114 |
| 15. Northern Ireland | | | | | |
| Current | 97 | 756 | 118 | — | 971 |
| Capital | 22 | 162 | 36 | 145 | 365 |
| Debt interest | 30 | 3,870 | 1,400 | 900 | 6,200 |
| Total | 20,274 | 12,644 | 13,692 | 5,425 | 52,035 |

* See Part 2, Chapter 5

Analysis of programmed changes since Cmnd 5879

TABLE 4.6

£ million at 1975 Survey prices

| | 1975-76 | 1976-77 | 1977-78 | 1978-79 |
|---|---------------|---------------|---------------|---------------|
| Total changes to expenditure programmes (excluding contingency reserve, shortfall and debt interest) | | | | |
| Defence | -9 | -134 | -173 | -198 |
| Overseas aid and other overseas services | -145 | -56 | -58 | -63 |
| Agriculture, fisheries and forestry ... | +463 | -39 | -105 | -205 |
| Trade, industry and employment ... | +397 | +578 | +478 | +492 |
| Nationalised industries' capital expenditure | +503 | +77 | -249 | -324 |
| Roads and transport | +24 | -133 | -324 | -506 |
| Housing | +5 | -175 | -284 | -365 |
| Other environmental services | +52 | -78 | -128 | -224 |
| Law, order and protective services ... | +26 | +6 | -51 | -110 |
| Education and libraries, science and arts | +28 | -84 | -331 | -618 |
| Health and personal social services ... | +4 | -39 | -93 | -152 |
| Social security | +173 | +464 | +301 | +39 |
| Other public services | +47 | +45 | +65 | +54 |
| Common services | +5 | -7 | -32 | -49 |
| Northern Ireland | +16 | +53 | | -45 |
| Civil service staff costs | | | -50 | -140 |
| Total | +1,589 | +480 | -1,034 | -2,414 |
| Of which: | | | | |
| 1. Reductions announced in Budget statement of 15 April 1975 | | | | |
| Defence | — | -136 | | |
| Overseas aid and other overseas services | -13 | -16 | | |
| Agriculture, fisheries and forestry ... | -15 | -182 | | |
| Trade, industry and employment ... | — | -3 | | |
| Nationalised industries' capital expenditure | — | -132 | | |
| Roads and transport | -1 | -117 | | |
| Housing | — | -128 | | |
| Other environmental services | -2 | -119 | | |
| Law, order and protective services ... | -1 | -33 | | |
| Education and libraries, science and arts | -7 | -109 | | |
| Health and personal social services ... | — | -98 | | |
| Other public services | -3 | -19 | | |
| Common services | — | -13 | | |
| Northern Ireland | — | -18 | | |
| | -42 | -1,123 | | |
| 2. Changes resulting from "The Attack on Inflation" (Cmnd 6151) | | | | |
| Food subsidies | +15 | +70 | — | — |
| Rents | — | +88 | — | — |
| Training measures and temporary employment subsidy | +9 | +12 | +1 | +1 |
| Consumer protection and price surveys | — | +2 | — | — |
| | +24 | +172 | +1 | +1 |

Analysis of programmed changes since Cmnd 5879—continued

TABLE 4.6 (continued)

£ million at 1975 Survey prices

| | 1975-76 | 1976-77 | 1977-78 | 1978-79 |
|---|---------|---------|---------|---------|
| 3. Statement on new unemployment measures on 24 September 1975 | | | | |
| Temporary employment subsidy ... | — | +8 | — | — |
| Work creation | +5 | +25 | — | — |
| Recruitment subsidy for school leavers | +3 | +3 | — | — |
| Training measures | +2 | +13 | +3 | — |
| Labour mobility | — | +3 | — | — |
| Industrial investment and factory building | +5 | +30 | +21 | +11 |
| Northern Ireland | +2 | +5 | +1 | — |
| Additional construction projects (announced 31 October 1975): | | | | |
| Housing | +2 | +15 | — | — |
| Health and personal social services | — | +5 | — | — |
| Education and libraries, science and arts | +1 | +4 | — | — |
| Other local authority services ... | +1 | +3 | — | — |
| Northern Ireland | — | +2 | — | — |
| | +21 | +116 | +25 | +11 |
| 4. Other announcements since Cmnd 5879 | | | | |
| Agriculture, fisheries and forestry | | | | |
| Sugar subsidy | +9 | — | — | — |
| Temporary fish subsidy | +10 | — | — | — |
| Annual agricultural review | +21 | +23 | +23 | +23 |
| Guarantee on ACP sugar | +125 | +11 | — | — |
| Other | +3 | +3 | +3 | +3 |
| Trade, industry and employment | | | | |
| Compensation to nationalised industries for price restraint | -216 | — | — | — |
| North of Scotland Hydro Electric Board deficit on smelter account... | — | +50 | +10 | +10 |
| Manpower Services Commission ... | +20 | +30 | — | — |
| National Enterprise Board | +50 | +225 | +225 | +225 |
| Support to Chrysler (UK) Ltd., British Leyland Ltd. and other private sector firms | +306 | +92 | +78 | +69 |
| ECGD cost escalation guarantees ... | -1 | -7 | +8 | +1 |
| Other | +18 | +25 | +25 | +17 |
| Nationalised industries' capital expenditure | | | | |
| British National Oil Corporation ... | +200 | +250 | — | — |
| Roads and Transport | | | | |
| Net changes in grants to British Rail | +24 | +39 | +14 | — |
| Other environmental services | | | | |
| Community Land Scheme | +1 | +31 | +77 | +102 |
| Other | +3 | +7 | +7 | +5 |
| Health and personal social services | | | | |
| Hospitals and community health services | — | +26 | +51 | +51 |
| Personal social services | — | +15 | — | — |
| Social Security | | | | |
| Child interim benefit | — | +19 | +19 | +19 |
| Invalidity pension for housewives ... | — | — | +18 | +18 |
| Other programmes | -7 | +17 | +3 | +5 |
| | +566 | +856 | +561 | +548 |

Analysis of programmed changes since Cmnd 5879—continued

TABLE 4.6 (continued)

£ million at 1975 Survey prices

| | 1975-76 | 1976-77 | 1977-78 | 1978-79 |
|---|---------|---------|---------|---------|
| 5. Other changes (including changes made as a result of this Survey) | | | | |
| Defence | -9 | +2 | -173 | -198 |
| Overseas aid and other overseas services | -125 | -40 | -58 | -63 |
| Agriculture, fisheries and forestry | +295 | +36 | -131 | -231 |
| Trade, industry and employment | +196 | +70 | +107 | +158 |
| Nationalised industries' capital expenditure | +303 | -41 | -249 | -324 |
| Roads and transport | +1 | -54 | -338 | -506 |
| Housing | +7 | -156 | -287 | -368 |
| Other environmental services | +49 | — | -212 | -331 |
| Law, order and protective services | +27 | +39 | -51 | -110 |
| Education and libraries, science and arts | +34 | +21 | -331 | -618 |
| Health and personal social services | +4 | +13 | -145 | -204 |
| Social security | +173 | +445 | +264 | +2 |
| Other public services | +50 | +64 | +67 | +54 |
| Common services | +3 | +6 | -32 | -49 |
| Northern Ireland | +12 | +54 | -2 | -46 |
| Civil Service staff costs | — | — | -50 | -140 |
| | +1,020 | +459 | -1,621 | -2,974 |

PART 5

Glossary of Terms Used and Technical Notes

| Section | Page |
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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 Sections I and II below the significance of the various terms which are used.

I Glossary of terms used

Changes since Cmnd 5879—comparisons between figures in this White Paper and in the last White Paper (Cmnd 5879) are made at a common price basis (1975 Survey prices).

Concessionality—the degree to which the terms of a loan result in a smaller return to the lender than the normal return from the commercial investment of the funds.

Contingency reserve—see Chapter 16 in Part 2.

Debt interest—the estimates represent the total payable to private and overseas sectors by central government, local authorities and public corporations. See Chapter 17 in Part 2.

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 smaller than that of direct expenditure on goods and services (Handbook on Methodology, paragraphs 80–87).

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 point 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.

Revaluation—the process of adjusting estimates of expenditure to a different price basis—in particular, adjusting estimates in the January 1975 White Paper (Cmnd 5879) to take account of pay and price changes in the twelve months since those estimates were prepared. See Section II below for the price basis of expenditure affected by foreign exchange rates.

Shortfall—see Chapter 16 in Part 2.

Supply expenditure—expenditure by central government which is financed by monies voted by Parliament. Details are given in the 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.

In volume terms—at 1975 Survey prices (Table 1.4)

2. The figures embodied in the 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 (1975) 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

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

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 planned. 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 1.4.

In cost terms—including the relative price effect (Table 4.1)

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 in the past were small, and until last year it was not thought 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. On the other hand, a review of the situation has shown a high degree of uncertainty in many cases about cost trends and their relation to current levels. This year specific allowance for the relative price effect has been made only in the cases of wages and salaries and land, housing and construction costs.

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 *1975–76 prices*—ie the level of prices paid in 1975–76—rather than Survey prices which do not at all refer to the same date. Table 4.1 is in cost terms throughout. A reconciliation with figures in volume terms at 1975–76 prices, showing the relative price effect, is shown at the foot of the table.

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.

Foreign exchange rates

6. Estimates of expenditure which are directly affected by foreign exchange rates reflect average rate prevailing in October 1974, the date relevant for costing most programmes in this White Paper. 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 1975 public expenditure White Paper (Cmnd 5879) in organisation and reassessment of the functions of some elements of expenditure:

- (a) Scottish and Welsh Development Agencies. The addition of this new item has involved several changes: derelict land clearance, land and buildings, town and country planning have been transferred from Other environmental services to Trade, industry and employment.
- (b) Nationalised Industries' Consumer Councils—Nationalised Industries to Trade, industry and employment.
- (c) Local authority concessionary fares—from Health and personal social services to Social security.
- (d) Mobility allowance—from Health and personal social services to Social security.
- (e) Prison supplies and certain transport services and administrative services—transferred from Common Services and reallocated between Roads and transport, Law, order and protective services and Other environmental services.
- (f) Expenditure in respect of the purchase of mechanical handling appliances (fork-lift trucks etc)—transferred from Common Services to several other programmes.
- (g) Some Research Council expenditure—from Health and personal social services to Other environmental services following the Biological Standards Act 1975.

(h) Stationery and printing for Museums and Galleries—from Common services to Education and libraries, science and arts.

(i) Redistribution of some Northern Ireland expenditure between various programmes.

2. From 1975–76 onwards British Gas Corporation replacement expenditure will be treated as current rather than capital expenditure; and consequently will no longer form part of public expenditure. The amounts which have consequently been excluded from this White Paper are:

| £ million at 1975 Survey prices | | | | | |
|---------------------------------|---------|---------|---------|---------|---------|
| 1974–75 | 1975–76 | 1976–77 | 1977–78 | 1978–79 | 1979–80 |
| 45 | 42 | 43 | 44 | 45 | 45 |

IV Notes on Table 1.1—The use of resources 1974–1979

1. Table 1.1 shows possible increases between 1974 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 1974. 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 1974 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. As stated above, both exports and imports are valued at constant 1970 prices. The estimated deficit in 1974 at 1970 prices is much lower than the actual deficit at the prices of 1974 because a large part of the deficit was due to the deterioration in the terms of trade between 1970 and 1974, principally on account of the higher price of oil.

5. GDP less the balance of trade surplus (or, as in 1974, 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 1a shows private fixed investment (other than in housing) and stock-building, whilst nationalised industries' investment and stock-building are shown in line 1b. The remainder (line 2) is then available for other public expenditure and for private consumption.

7. Section C provides a breakdown of this remainder into the components of other public expenditure (lines 1a to e) and personal consumption (lines 2a to c).

8. The changes to total public expenditure between 1974 and 1979, as shown in lines 1a to e together with line 1b of Section B, 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 in the National Accounts; the latter are employed in this table.

9. Lines 1a to c of Section C show direct public expenditure on goods and services. Line 1a, public consumption, includes all current expenditure on goods and services and line 1b, public investment, includes both fixed investment and stock-building by public authorities and public corporations other than nationalised industries, included in line 1b of Section B.

10. Line 1d 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 2c shows personal consumption, which consists in this table of consumers' expenditure plus investment in dwellings. This item can then be split approximately into two components: publicly financed personal consumption (line 2b) which is the same as indirect public expenditure (line 1d) and privately financed consumption (line 2a) 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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