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PUBLIC EXPENDITURE TO 1985–86

OPTIONS FOR REDUCTIONS

1982 Report by the Public Expenditure Survey Committee

July 1982

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PUBLIC EXPENDITURE 1983-84 TO 1985-86

1982 REPORT BY THE PUBLIC EXPENDITURE SURVEY COMMITTEE

OPTIONS FOR REDUCTIONS

Contents

		Page
Introduction		
DEPARTMENTAL ANALYSES		
1.	Ministry of Defence	No options included
2.	FCO - Overseas Development Administration	3
3.	FCO - Other	5
4.	European Community	No options included
5.	Intervention Board for Agricultural Produce	7
6.	MAFF	9
7.	Forestry Commission	13
8.	Department of Industry	15
9.	Department of Energy	17
10.	Department of Trade	21
11.	ECGD	25
12.	Department of Employment	27
13.	Department of Transport	31
14.	DOE - Housing	35
15.	DOE - PSA	37
16.	DOE - Other	39
17.	Home Office	41
18.	Lord Chancellor's Department	45
19.	Department of Education and Science	47
20.	Office of Arts and Libraries	51
21	DHSS - Health and personal social services	53
22.	DHSS - Social Security	61
23.	HM Treasury - Civil Superannuation	63
24.	Scotland	65
25.	Wales	67
26.	Northern Ireland	69

		Page
27.	Nationalised Industries total net borrowing	No options included
28.	Local authority current expenditure relevant for RSG	No options included
29.	Other Departments	71

SUPPLEMENTARY ANALYSIS

A. Options for reductions, by Department and economic category

2. FCO - Overseas Development Administration

Options for reductions and offsetting savings £ million cash

	1983-84	1984-85	1985-86
Offsetting savings		(See text)	
Options for reductions	(2%)	(3%)	(4%)
Net aid programme	20.3	32.0	44.4
CDC	0.3	0.4	0.6
Overseas aid administration	0.5	0.7	1.0
Other external relations - superannuation		(See text)	

Overseas aid

The net aid programme has been reduced by 21 per cent in cost terms between the peak of 1978-79 and 1982-83, compared with an increase of 5 per cent for the rest of public expenditure. (This decline was but marginally offset by the introduction of commercial borrowing by the CDC, which does not score as aid.) Economic circumstances permitting, and without time-limit, the UK is committed to the UN target for aid of 0.7 per cent of GNP. On present plans however we will move further away from this target, scoring 0.32 per cent in 1984-85 compared with 0.38 per cent in 1981-82. The reductions made in the UK programme, against a background of demands for increasing aid (eg at the Cancun summit) have led to domestic and international criticism. There are signs of pressure for more aid impinging upon our political and commercial relations with individual countries, as witness recent dealings with India and Malaysia.

2. Rising and inescapable multilateral commitments mean that the brunt of past reductions have fallen on our bilateral programmes (down 36 per cent in cost terms between 1978-79 and 1982-83), contrary to the Government's aid policy, announced in February 1980, which seeks to give greater weight to bilateral expenditure. Forseeable demands for bilateral aid are numerous, including pressure from major Commonwealth recipients for the restoration of our aid to its past levels; requests for urgent balance of payments support from countries in which British interests are

involved (eg Turkey, Jamaica, several African states); humanitarian help for refugees; and aid expenditure to help secure contracts of particular industrial and commercial significance to the UK.

3. Because a significant proportion of bilateral aid is not yet finally committed over the next few years there is no technical problem over securing reductions. But the options for reductions would mean further reductions in bilateral aid of 3.8 per cent, 5.9 per cent and 7.5 per cent in 1983-84, 1984-85 and 1985-86 respectively, intensifying the undesirable effects noted above.

Overseas aid administration

4. Manpower numbers have fallen by 14 per cent between 1979 and 1982 and are planned to reduce by a further 9 per cent between 1982 and 1986. In ODA's view, further reductions in the financial provision for the programme would mean cutting out functions essential to the efficient administration of the overseas aid programme.

Other external relations (part) - superannuation

5. This programme consists of various pensions supplements to which the pensioners concerned have a statutory entitlement derived from the Pensions Increase Act. The required provision depends wholly on the decisions to be taken on the future levels of UK public sector pensions generally (see eg civil superannuation, chapter 23). Hence no options for reductions are shown.

Crown Agents

6. This programme consists of receipts from repayments of debt. Options for reductions (ie increased receipts) are not feasible.

Commonwealth Development Corporation

7. The certain political outcry which would result from a partial withdrawal of the permission given to the CDC to borrow commercially in 1983-84 and 1984-85 would not be worth the savings secured. Options for reductions would therefore have to be financed by a reduction in overseas aid. A reduction in the CDC baseline figure for 1985-86 could in principle be secured; Ministers have yet to consider whether and what amount the CDC should be allowed to borrow in that year.

3. Foreign and Commonwealth Office - Other

Options for reductions and offsetting savings £ million cash

	1983-84	1984-85	1985-86
Offsetting savings required	14.3	9.4	12.8
Offsetting savings			
Overseas representation	11.1	6.1	7.4
Overseas information	3.2	3.3	5.4
Options for reductions	2%	3%	4%
Overseas representation	9.4	14.1	19.5
Overseas information	-	0.5	1.0
Other external relations	0.5	0.7	0.7
Military aid	0.3	0.4	0.5
Total	10.2	15.7	21.7

Overseas representation

A cut of the order indicated in overseas representation would entail staff reductions, post closures and/or delay in implementing building projects abroad (possibly incurring greater costs in the longer term). Of this cut approximately £5.0 million would be in respect of the additional bid for the British Antarctic Survey. (This bid will be subject to consideration by OD Committee). If the options for reductions were included, further cuts of between £9.4 million and £19.5 million would give rise to Parliamentary and national concern (eg over closure of Missions).

Overseas information

2. If the additional bid had to be found from within the planned level of expenditure on the BBC External Services, cuts in vernacular services and curtailment of monitoring of foreign broadcasts would ensue. Such cuts would encounter strong public and Parliamentary opposition. Under the options for reductions the British Council

would have to reduce staff or withdraw representation from some countries. There would be strong protests from the Council's supporters in Parliament and elsewhere.

Other external relations

3. The major part of this expenditure is on internationl subscriptions (£68.6 million of £77 million 1983-84). Unilateral withdrawal from the bigger organisations (Council of Europe, Commonwealth Secretariat, Western European Union) would give rise to substantial international criticism. Ministers have already approved a policy whereby savings should be found by seeking real reductions in the expenditure of international organisations wherever possible: however, this cannot be expected to lead to significant savings within the period covered by the survey.

4. In practice, therefore, savings in this area would be likely to take the form of reduced unilateral grants to various non-governmental organisations, and/or for scholarships etc and/ or on miscellaneous services. The relatively small sums involved could cause disproportionately damaging rows (eg within the Commonwealth, if the Commonwealth Institute, or scholarships, were to be cut).

Military aid

5. The only option would be to reduce the level of training assistance for overseas governments.

(No legislation would be required to implement these cuts).

5. Intervention Board for Agricultural Produce

Options for reductions and offsetting savings

1. Most of the Board's expenditure is mandatory under EC Regulations and is not subject to direct UK control. Most schemes are also 100 per cent financed from the EC Budget; and hence to the limited extent that expenditure could be reduced by UK actions any public expenditure saving would be largely offset by reduced receipts under programme 2.7.

2. For these reasons it would not be appropriate to show offsetting savings to cover the net additional bid.

3. Equally there is virtually no scope for option reductions in the programme. The one major exception is the beef premium scheme which is operated only in the UK and which was, until the 1982 CAP price fixing, only 25 per cent financed from the EC Budget. Ministers considered the possibility of ending the scheme in the 1981 survey and decided then not to pursue this option. Subsequently the scheme was renewed for 1982-83 in the 1982 price fixing, but with the proportion of EC financing raised to 40 per cent. Any net savings from ending the scheme would consequently be reduced.

6. Ministry of Agriculture, Fisheries and Food

Options for reductions and offsetting savings

£ million cash

	1983-84	1984-85	1985-86
Offsetting savings required			
(a) Agriculture fisheries & food	7.6	9.7	22.0
(b) Thames tidal defences	1.5	3.5	-
Options for reductions required	17.0	25.1	35.6
Items			
(a) Agriculture Fisheries & Food			
(i) estimating reductions	8.4	10.2	21.8
(ii) deferment of agreed AHDS target income option	1.2	2.0	2.1
(iii) land sales	-	1.2	-
(iv) reductions in capital grants	17	25	35
(b) Thames tidal defences	-	-	5.2

Offsetting savings

1. To meet the cost of the bid for a central marketing organisation Agricultural Ministers have already offered to defer implementation of a reduced target income for applications under the Agriculture and Horticulture Development Scheme (AHDS). The Departments also propose that the land sales programme should be rephased to take account of planned disposals that were not completed in 1981-82. Together with the reduced estimating requirements these savings offset in full the additional bids set out in the PESC report, although the Agricultural Departments do not accept the need for increases on the Thames tidal defences to be offset by savings on agriculture, fisheries and food.

Options for reductions

2. Given the nature of the Agricultural Departments' expenditure and their statutory, EC and other policy responsibilities, it is not feasible to make cuts on all parts of their expenditure which are of the required level (£17.0 million in 1983-84 rising to £34.8 million in 1985-86). For example deferment or abandonment of work on the Thames tidal defences would result in unacceptable risks to human life and property.

3. In the view of the Agricultural Departments, the savings options could be achieved only by cutting back direct support for agriculture and fisheries, arterial drainage and extra-mural R & D. If the full reductions were achieved in any one of these areas they would imply cuts by 1985-86 of:

(a) 11 per cent in support for agriculture (principally capital grants and hill farming);

(b) 50 per cent in support for fisheries;

(c) 50 per cent in arterial drainage;

(d) 50 per cent in extra-mural R & D.

4. The Agricultural Departments consider that these options, applied either individually or in some combination such as that in paragraph 6, would imply:

(a) A further fall in capital investment and consequent effects on productive capacity; and risks to hill farming viability.

(b) Damage to an industry already facing serious difficulties.

(c) Endangering the programmes of the water authorities.

(d) Disruption of the long-term planning of research programmes, with probable redundancies and adverse effects on agricultural productivity.

5. For the purpose of this paper the Agricultural Departments have put forward an illustrative option which assumes that the specified reductions would be achieved entirely through a cut back in capital grants. Changes would in the main have to be made to the national scheme (AHGS) because under the EC scheme (AHDS) a large

proportion of expenditure is committed. Cuts of up to one-third in the standard rate of grant for all items and of nearly one-third in the less favoured area (LFA) rate of grant for drainage would be necessary; and in addition it would be necessary to cease assistance for grassland regeneration and land reclamation outside the LFA. The overall effect would be to reduce the standard rate of grant in the scheme from 22½ per cent to 15 per cent (except for drainage - 37½ per cent to 25 per cent). Secondary legislation would be necessary and there might be some small savings in manpower. Cuts of this kind would, in the view of the Departments, lead to a further fall in investment which has already declined with very damaging effects, and for that reason would be unacceptable to them.

6. The Treasury recognises that it is primarily for the Agricultural Departments to consider the ranking of possible option cuts; and notes that the Departments have chosen to express the cut as one falling entirely on capital grants. The Treasury points out, however, that if cuts were to be spread more evenly across the programme the impact on any one area of expenditure could be much reduced and the option percentages could be achieved by a package involving:

(i) Support for agriculture:

- reductions in average capital grant rates under the national scheme (but not the EC scheme) of around one-fifth.
- withdrawal of the discretionary Exchequer financed supplement to the mandatory EC-financed subsidy to suckler cow herds;

(ii) In-house and extra-mural research

- reductions rising to 7 per cent by 1985-86.

(iii) Arterial drainage

- reductions of about 4 per cent.

7. Forestry Commission

Options for reductions and offsetting savings £ million cash

	1983-84	1984-85	1985-86
Offsetting savings required	-	-	0.9
Options for reductions required	1.3	1.9	2.6
Total	1.3	1.9	3.5
Items identified in order of acceptability			
1. Timber receipts	-	-	1.2
2. Reduction in vehicles, etc	0.9	0.4	1.6
3. Capital building work	-	0.2	-
4. Materials, services, and admin expenses	0.4	1.3	0.7
Total	1.3	1.9	3.5

1. The Forestry Commission expect timber prices in 1985-86 to be some 2 percentage points higher than the rate assumed in the survey.

2. The reduction in the funds available for the purchase of vehicles and machinery would necessitate some deferment of replacement with the consequential risk of increased repairs and operational costs.

3. Reductions in capital building expenditure will delay the house improvement programme and other developments.

4. Arbitrary reductions in operational costs of machines, purchase of materials and services and in overheads, travelling and subsistence, etc would be imposed.

8. Department of Industry

Options for reductions and offsetting savings £ million cash

	1983-84	1984-85	1985-86
Offsetting savings required	290.9	419.4	388.3
Options for reductions required	24.0	30.0	43.0
Total	314.9	449.4	431.3

Offsetting savings

1. Offsetting savings of the magnitude of the total additional bids could only be achieved by drastically cutting RDGs (for example, halving the rate of grant or excluding half of manufacturing industry). Such action would be very damaging to industry and to the regions and would be totally inconsistent with Government assurances about the stability of regional policy. A much smaller cut (£50 million a year) was found impracticable by Ministers in the 1981 survey. Specific offsetting savings are required to meet the additional expenditure of £9 million a year arising from changes in Assisted Areas agreed by Ministers in June 1982. The Department are considering how this might be achieved.

Options for reductions

2. Options for reductions of 2 per cent, 3 per cent and 4 per cent over the PES years (ie about £24 million £30 million and £43 million) might be achieved by:

(a) altering RDGs (a 1 per cent cut might produce savings of £30 million a year), and

(b) cutting back on selective financial assistance (assistance to industry in the assisted areas, assistance to individual industries, industrial R & D and other support).

9. Department of Energy

Options for reductions and offsetting savings £ million cash

	1983-84	1984-85	1985-86
Offsetting savings required	17	19	22
Options for reductions required	10.5	17	23.5
Total	27.5	36	45.5
Offsetting savings			
Nuclear R & D	-	-	7
Non-nuclear R & D) Energy conservation)	17	19	15
Total	17	19	22
Options for reductions			
Nuclear R & D	9.4	15.2	21.5
Non-nuclear R & D	0.5	1.0	1.0
Energy conservation	0.4	0.6	0.8
Departmental administration	0.2	0.2	0.2
Total	10.5	17.0	23.5

Options for reductions

In the event of a lower level of percentage options, the reductions would need to be reviewed, but would probably be applied pro rata to the table above, with the reductions continuing to be weighted on nuclear R & D.

2. Although half of the baseline consists of social grants to the coal industry, it is not feasible to look to that area of expenditure for any contribution to option reductions since the expenditure is demand-determined (depending on progress with pit closures) and subject to inescapable political commitments. The reductions would have therefore to be found entirely from unrelated areas, mainly energy research and development and energy conservation. The effects would be as described below.

Nuclear R & D

3. On top of the reduction of 8½ per cent in nuclear R & D in last year's survey, further cuts of this size would almost certainly be achievable only by enforced redundancies. To offset the extra short term costs of redundancy (as opposed to voluntary early retirement), reductions in manpower would have to be disproportionately large. Due to the lack of flexibility with which such a policy could be carried out, it is not possible to predict precisely which programmes would be most severely affected. However, the fast reactor programme (which constitutes half of the net expenditure of the Atomic Energy Authority) would be bound to be severely affected, for example in the areas of fuel and fuel reprocessing development and of development work for a Commercial Demonstration Fast Reactor. This would harm the current negotiations on international collaboration, reduce the prospects for securing a satisfactory agreement and set back implementation of the options for the fast reactor which Ministers might decide to adopt. Other likely effects would be:

(a) damaging the role of the Culham fusion laboratory in support of the Joint European Torus (JET) project and in the fusion research programme co-ordinated with other members of the EC;

(b) reductions in the Authority's nuclear R & D capability as a whole and the preparation of its radioactive waste for long-term storage or disposal;

(c) cuts in capital and maintenance programmes, with the risk that ageing, important facilities may have to be closed on safety grounds;

(d) possibly affecting work on the longevity of advanced gas-cooled reactors and on safety work on the pressurised water reactor;

(e) a risk of serious effects on employment in certain areas especially in Caithness.

Non-nuclear R & D

4. Following last year's survey further cuts would have a serious effect on a budget which is already too small to sustain programmes in which the Department would wish to be active. Further reduction would have to be made in work on offshore geology which is important to the formation of depletion policy and to negotiation of licences

with oil companies. In the field of renewables R & D, work on biofuels and solar energy would have to be run down more quickly.

Energy conservation

5. The reduction would fall on one or more of the programmes which provide information or advice or which stimulate energy savings projects, particularly in industry.

Offsetting savings

6. Although the greater part of the additional bids would not form part of the NCB's external finance (since payments under the Redundant Mineworkers Payments Scheme are made direct to beneficiaries), nevertheless the expenditure is in support of the coal industry. In the Department's view the bids should therefore be taken into account (together with the additional amounts that will be required for operating and deficit grants) in considering in the Investment and Financing Review how much finance should be allocated to support for the industry.

7. If, however, offsetting savings were required from the Department's other expenditure programmes further savings would be sought from nuclear R & D. But due to the offsetting costs of large-scale enforced redundancies and of rendering closed laboratories safe it seems unlikely that the AEA would be able to show net reductions in expenditure, over and above the percentage reductions, before 1985-86. If this proved to be the case, the Department would for example have to resort to drastic interruptions and delays in offshore technology and renewable energy (wind, geothermal, solar etc) R & D programmes and in energy conservation. Expenditure on these programmes would have to be reduced by over one-third. This would result in cancellation of contracts, incompleted work and dispersal of teams of experts. It would be bound to have major political repercussions and require very careful consideration.

10. Department of Trade

Options for reductions and offsetting savings

£ million cash

	1983-84	1984-85	1985-86
Offsetting savings required	2.7	-	7.6
Offsetting savings proposed by Trade	-	-	-
Offsetting savings proposed by Treasury:-	3.0	6.0	13.5
(a) Elimination of ECTMO* provision	-	-2.6	-2.6
(b) Withdrawal of bids:-			
(i) Tourism (promotion and BTA exchange losses)	-1.2	-1.3	-1.4
(ii) Export promotion	-	-	-0.1
(iii) Trade co-operation	-0.1	-0.1	-0.2
(iv) Consumer protection (part)	-0.4	-	-
(v) Standards (part)	-	-0.1	-0.4
(vi) Departmental administration (part)	-0.2	-0.1	-
(vii) Shipping services (civil hydrography)	-1.1	-1.8	-8.8
(b) Total	-3.0	-3.4	-10.9
(a) and (b) Total	-3.0	-6.0	-13.5

*European Community Trade Mark Office

The Department of Trade has proposed no offsetting savings for their net additional bids of £2.7 million in 1983-84 and £7.6 million in 1985-86 because virtually the entire excess is attributable to the additional bids for civil hydrography: £2.0 million in 1983-84 and £9.0 million in 1985-86 - a programme which had been carried on the Defence Budget, and which is still the subject of dispute.

2. The Treasury takes the view that many of the additional bids are inappropriate and should be withdrawn and the costs of others should be absorbed within the programme. The Treasury also considers that the provision of £2.6 million a year from 1984-85 onwards on the protection of innovation programme for the furnishing of an headquarters building in the UK for the European Community Trade Mark Office

should be eliminated. Although Ministers have agreed to seek the siting of the ECTMO headquarters in the UK, this was on the basis that there should be no Exchequer cost. The Treasury's proposals would allow for the acceptance of the most essential and politically sensitive bids.

Options for reductions

	1983-84	1984-85	1985-86
	2%	3% (approx)	4%
Required options for reductions	5.2	8.0	11.0

3. Options for reductions have been calculated on Cmnd 8494 totals as adjusted for the change in the National Insurance Surcharge less Civil Aviation Authority's National Loan Fund and foreign borrowing and issues of Public Dividend Capital to British Airways. These programmes are dealt with in the nationalised industries context.

4. In the Department's view reductions at the levels stipulated would be impracticable. Many of the Department's services are of a regulatory nature and are imposed by statute (for example Patents, Insurance, Companies, Insolvency, Marine and Civil Aviation Regulations etc) and these cannot be offered as options unless legislation to reduce the Department's responsibilities in these areas is regarded as a realistic possibility. Moreover a substantial proportion of the costs of these services is already recovered in fees and charges. Subscriptions to international bodies such as GATT, IMCO and ICAO are fixed by international agreement and cannot be cut without breach of the UK's obligations.

5. The Department points out that any reductions would need to be concentrated on its narrow range of discretionary expenditure in the areas of export promotion, tourism, other grants in aid or shipping services. The attainment of the option levels would call for decisions on the following lines:-

Export Promotion

6. The Department believes that there is no scope for further increase in fees and charges and that consequently an option cut would have to come entirely from reduced provision. This would be for the British Overseas Trade Board (BOTB) to apply to the various services which the Department runs under its supervision. The Board and its

Chairman would react very strongly against any proposals for cuts: the BOTB programme was cut last year and in 1979. Although there has been a history in recent years of consistent underspends against provision the Department and the Board consider that this is attributable to the worldwide business recession and that the level of provision would be too low if there were to be an upturn in economic activity in the near future.

Tourism

7. Tourism is the Department's only other major area of discretionary programme expenditure. In contrast with Export Promotion the provision is normally fully spent. Responsibility for the support of tourism is shared with Scotland and Wales who include it in their respective block budgets; the BTA acts on behalf of all three countries. Cuts would involve either a reduction of Section 4 support for selected tourism projects (with job losses in the public and private sector) or reductions in the British Tourist Authority's and the English Tourist Board's promotional activities (which would also lead to job losses and to losses of matching trade contributions to the organisations). The Department considers that cuts here should, if they are made at all, be matched by the Scots and Welsh.

National Association of Citizen's Advice Bureaux (NACAB)

8. Cuts in the NACAB grant in aid would mean reducing the staff, and thus the local activity, of this body. The recession continues to place pressures on the CAB services. There is concern about maintaining the quality of the assistance offered by NACAB. Implemention of a cut in this area would be politically sensitive.

Shipping Services

9. A considerable amount of the Shipping Services expenditure is devoted to regulatory services imposed by statute. Option reductions could therefore only relate to certain marine safety expenditure not specifically covered by statute -the coastguard service, research and development on marine safety and pollution. Public criticism of cuts in these areas could be substantial. They would be seen as economy measures imposed without regard to safety and there would be oppostion in coastal constituencies.

Local authorities current expenditure on consumer protection

10. The Department point out that they have little control over this area of the programme but option cuts would require local authorities to make savings of £1.2 million in 1983-84, £2.0 million in 1984-85 and £2.5 million in 1985-86.

A possible package

11. A package to meet the requirement to identify options could be as follows:

£ million cash

	1983-84	1984-85	1985-86
(a) Export Promotion:			
programme cut to be allocated by BOTB	2.0	3.0	4.0
(b) Tourism: reductions in Section 4 assistance and/or in BTA and ETB's promotional efforts	1.0	1.5	2.25
NACAB reductions in grant in aid	0.5	0.75	1.25
Shipping Services	0.5	0.75	1.0
Local authority current expenditure on consumer expenditure	1.2	2.0	2.5
Totals offered	5.2	8.0	11.0

11. Export Credits Guarantee Department

Options for reductions and offsetting savings £ million cash

	1983-84	1984-85	1985-86
Offsetting savings required	214.6	-	-
Options for reductions required*	3.7	-	-
Total	218.3	-	-
Items			
1. Raising of fixed rates under the Consensus	28.8	35.6	43.4
2. Yen facility	3.7	4.5	5.6
3. Refinance	50.0	-	-
4. Withdrawal of matching facility	5.4	5.7	5.9
Total	87.9	45.8	54.9

*Percentage reductions are covered by reduced requirements in 1984-85 and 1985-86.

The demand-determined nature of ECGD's programmes and the expenditure variations resulting from economic factors once commitments to provide specific facilities have been made limits the scope for savings on ECGD's programmes.

2. Possible savings could result from:-

(i) raising the fixed rates of interest;

(ii) the provision of a new yen denominated export credit facility;

(iii) increasing the share of outstanding refinance held by the private sector; and

(iv) withdrawing the mixed credits matching facility.

3. Over the survey period savings may result from studies to be completed by ECGD on possible methods of savings on interest support costs and from any multilateral increases in interest rates for fixed rate export credits agreed under the International Consensus. Savings may also arise from the introduction of a new yen denominated

export credit facility: this facility is likely to attract less interest support costs due to the lower differential between market rates and the various interest rates applicable for export credits in yen and the major alternate currencies currently utilized. However the extent of potential savings from changes in the Consensus and the provision of the yen facility can neither be readily gauged nor directly controlled.

4. A further increase in the private sector's share of outstanding refinance (approximately £500 million) would increase the receipt levels for the current and future two years, and would constitute a reduction in public expenditure. It is not however clear that that the banks or other private sector institutions would be prepared to co-operate. Apart from this such transfers would have adverse implications for monetary management.

5. When the introduction of the mixed credits matching facility was announced in Parliament it was stated that it would be reviewed in the second half of 1982 or sooner if there is significant progress internationally in restricting soft credits. To date the facility has not been utilized.

12. Department of Employment

Options for reductions and offsetting savings

£ million cash

	1983-84	1984-85	1985-86
Offsetting savings required	-	23.5	-
Options for reductions required	33.4*	87.7	6.7*
Total	33.4	111.2	6.7
Items			
(a) Reductions within the MSC	29.4	49.4	6.7
(b) Reductions within the HSC	1.8	2.8	-
(c) Reductions in the Community Enterprise Programme	2.2	-	-
(d) Reduction in rebate to employers from the redundancy fund:			
- from 41 to 36 per cent	-	24.5	-
- from 36 to 39 per cent	-	34.5	-
Total	33.4	111.2	6.7

*Net of reduced requirements

The table above records the offsetting savings and the effects of reducing the baseline by 2 per cent in 1983-84 rising to 4 per cent in 1985-86.

2. The additional bids can be met from reduced requirements in 1983-84 and 1985-86, but not in the intervening year. The bulk of the reduced requirements are estimating changes arising from revised assessment of the costs and demand upon certain of the special measures. Much the largest reduction in each year relates to the Job Release Scheme. The savings in this scheme reflect lower than expected take-up from the reduction of age limits for men to 63 in 1981 and 62 in 1982; and an assumed revision, consistent with existing policy, to age 64 entry from April 1984.

3. In 1984-85 reduced requirements fall short of additional bids by £23.5 million. If the Department itself was obliged to find such a sum it believes it would have to

reduce the rebate to employers from the redundancy fund. A reduction from the existing level of 41 per cent to 36 per cent in 1984 only would secure £24.5 million. This would impose an equivalent additional burden on employers making redundancies, but employers generally would eventually benefit from a lower rate of contribution to balance the fund.

4. Other option reductions at the levels suggested would mean that the programmes of the Manpower Services Commission (MSC) and the Health and Safety Commission (HSC) would have to bear a share of the burden. The Department emphasises that the size or distribution of any reductions in these programmes would have to be agreed with the two Commissions who have yet been consulted. Illustrative reductions are put forward by officials but these might be subject to change should any question of implementation arise.

5. Options within the MSC programme, with a broad indication of savings in 1983-84 and 1984-85, are:

		£ million cash	
		1983-84	1984-85
(a)	Slow down of the job centre programme and of the rebuilding of employment rehabilitation centres, some local office closures and abolition of grants payable to single non-householders under the employment transfer scheme. Economies in telecommunications	4	5
(b)	No uprating of YOP/YTS allowance	15	33
(c)	Minor reductions in support services	1	1
(d)	Employment service savings from Rayner scrutiny (not yet considered)	3	6
(e)	Extra receipts from direct training services and savings in resources at skill centres	4	3
(f)	Limited uprating of TOPS allowances	2	1

6. Most of these items would have consequential effects in 1985-86 amounting, in total, to considerably more than the £6.7 million which is shown in the main table as being necessary in that year.

7. Options suggested for the HSC are:

(a) increases in current fees and charges and the introduction of new charges for existing services

(b) cut-backs on major research projects, both intra and extra mural

(c) reductions in capital expenditure on buildings and equipment

(d) minor reductions in spending on equipment and stores.

8. Should the Department be pressed further to meet the cost of all the additional bids as well as a 2 per cent cut in the baseline, the balance of £2.2 million in 1983-84 would be found from a reduction during the year in the Community Enterprise Programme, possibly entailing up to 1000 places (around 3 per cent of total places). In 1984-85 some £34.5 million would be needed. This could be found from a further reduction in the rebate to employers from the redundancy fund. The level of 36 per cent mentioned in paragraph 3 would need to be brought down further to 29 per cent with the consequences already described. A reduction to 29 per cent would require main legislation. Subordinate legislation would secure a change to 35 per cent.

9. All the reduced requirements shown in the main table are current expenditure. Of the other offsetting savings and otpion reductions, current expenditure accounts for around 94 per cent in 1983-84 and 97 per cent in 1984-85.

13. Department of Transport

Options for reductions and offsetting savings £ million cash

	1983-84	1984-85	1985-86
Offsetting savings required	35	32	32
Options for reductions required	86	134	185
Total	121	166	217
Items			
Capital spending			
A Motorway/trunk road construction	33	44	59
B Local transport	36	49	64
Central government subsidies to transport industries			
C British Rail	39	58	79
D Other	1	2	3
E Ports	7	6	7
Miscellaneous			
F Driver and Vehicle Licensing Centre	3	4	5
G Other transport services	2	3	5
Total	121	166	217

1. To offset the additional bids (£35 million in 1983-84; £32 million in 1984-85; £32 million in 1985-86), excluding any increased provision for local authority current spending, and to achieve required reductions (£86 million in 1983-84; £134 million in 1984-85; £185 million in 1985-86) the Department is required to identify means of reducing expenditure by £121 million in 1983-84; £166 million in 1984-85; £217 million in 1985-86. As noted in paragraph 19 of the main text the Department points out that Ministers have decided that local authority current expenditure will be considered in a separate self-contained block. In their view it follows that local authority current expenditure should not be included in the overall figures for this programme on which percentage reductions are illustrated and the above figures should be reduced by one third.

2. The above table shows how using the grand totals, reductions could be allocated between Departmental programmes proportionally. Consideration of specific options

for local transport - eg restrictions on concessionary fare schemes in public transport; removal of the obligation to maintain unclassified roads, both of which are controversial and require primary legislation - may need to be resumed when decisions on the aggregate of local authority current expenditure have been made.

3. No options for reduction are shown for the motorway and trunk road maintenance programme, or British Rail pensions, on which there are significant additional bids.

Sifting of options

British Rail (C)

4. As explained in the main text, a review is being undertaken of BR's deteriorating finances and, in the meantime, the baseline reflects a working assumption that grant is paid in the later years at the level set for 1982. It is not possible to assess the effects of particular options for reductions in advance of the review coming to a conclusion.

Ports (E)

5. Subsidies to Port of London Authority and the Mersey Docks and Harbour Company are being reduced over the survey period as quickly as possible. Port investment is at an historically low level at present and while some underspending is possible, an upturn in economic activity could create pressure by the ports to increase their commercial investment.

Other transport industries (D)

6. £1 million per year could be found from the National Freight Company's travel concessions grant.

Miscellaneous expenditure

DVLC (F)

7. The only options identified for DVLC, who perform a tax-gathering function different in character to the work of the rest of the Department (£80 million of expenditure in 1982-83 supporting the collection of about £1,850 million in vehicle excise duty) involve radical changes in policy, such as the abolition of driving licenses

or VED the latter with matching increases in petrol tax, which has been recently rejected by Ministers. The Department would however regard as unacceptable additional cuts in other programmes, such as construction, to protect this function.

Other (G)

8. £1 million per year could be found from reduced capital spending on driver and vehicle testing schemes. Any further contribution would have to be found from research expenditure, both intra and extra mural, which is presently the subject of a joint review by Treasury and DTp.

Capital spending (A and B)

9. This means that the great bulk of reductions, both to offset additional bids and to make option reductions, would have to come from capital spending. There are virtually no savings available on public transport investment, which is at a minimal level at present, so the only available candidates are the road construction programmes of both central and local government.

Motorway and trunk road construction

10. As explained in paragraphs 8 and 9 of the main text the volume of road construction work which can be carried out within any level of provision depends crucially on the movement of prices. The proportional cut of about £33 million in 1983-84 would be within the possible range of price movements in the programme, although it would probably reduce by about half the money available for new starts. Given the uncertainties about price forecasts it is not possible to forecast accurately the effect on future years; but in DTp's view the cash provision for future years may prove insufficient to maintain current levels of output against the expected rise in prices.

Local roads

11. The proportional cut would have a similar effect on the local authority roads programme. A cut of £36 million in 1983-84 would mean a cut of about 20 per cent in the cash available for new road schemes, and a substantial reduction in the bypass programme.

14. Department of the Environment - Housing

Options for reductions and offsetting savings

£ million cash

	1983-84	1984-85	1985-86
Offsetting savings required	980	825	630
Options for reductions required	55	86	119
Total	1035	911	749

1. The reductions required to provide savings of 2 per cent in 1983-84, 3 per cent in 1984-85 and 4 per cent in 1985-86 on the existing baseline are shown above. These can be met to a large extent by the reduced requirements arising from interest rate forecast changes (paragraphs 8 and 9 of the main report). These are £52 million, £46 million and £200 million for 1983-84, 1984-85 and 1985-86 respectively.

2. The offsetting savings required result from the Department's bid for £980 million additional capital expenditure in 1983-84, with the corresponding increase for future years (paragraph 6 of the main report). For 1983-84, the reduction could only be achieved by further increases in rents. The rent increase required would be an average of almost £8 per week. The Department regards this as impossible and undeliverable. For 1984-85 the existing baseline allows capital provision to increase over the 1983-84 baseline by more than prices even if rents rise in line with prices. The savings in 1984-85 could therefore be achieved without a fall in output from capital expenditure. A rent increase in 1983-84 sufficient to provide the required offsetting savings would also provide more than enough offsetting savings in the later years.

15. Department of the Environment - PSA

Options for reductions and offsetting savings

£ million cash

	1983-84	1984-85	1985-86
Offsetting savings required	20.3	28.3	25.0
Options for reductions required	8.7	13.6	18.8
Total	29.0	41.9	43.8
Scope for making cuts without affecting contracts already let			
Operational requirements (6 schemes)	1.0	1.8	2.3
Lease expiry (2 schemes)	2.3	3.4	1.6
Overcrowding/increased efficiency (11 schemes)	1.5	3.8	4.1
Total	4.8	9.0	8.0

1. It is assumed that the option cuts are 2 per cent in 1983-84, 3 per cent in 1984-85 and 4 per cent in 1985-86. On the basis of the figures now in the programme this would mean cuts of

£ million cash

1983-84	1984-85	1985-86
8.7	13.6	18.8

However if the cuts are related instead to the net provision to be retained by PSA after repayment is introduced they will be much smaller. It is not possible to say exactly how big they will be but the maximum 1985-86 cut (ignoring the anticipated repayment receipts which will produce a negative PSA programme total) would probably be under £2 million.

2. An option cut based on PSA's residual provision after adjustments for repayment would involve cancelling or deferring three or four major new works schemes to meet Departments' requirements or to replace leased accommodation which cannot continue to be occupied. The scope for making cuts without affecting contracts already let is as set out above.

3. Even cancelling all these major new works schemes could not achieve the figures for cuts on the whole programme before repayment. It would not be acceptable to make cuts on works already in progress and any further savings would therefore have to be found from elsewhere. However PSA does not consider that it would be acceptable to make significant cuts on current expenditure. It is not possible to assume greater savings from a run-down in the size of the estate than that now incorporated in the figures, the increase in money rents is feared likely to exceed the cash allowances and the squeeze on maintenance funds is already causing problems over working conditions.

16. Department of the Environment - Other

Options for reductions and offsetting savings

The Department have failed to produce any offsetting savings. They argue that the only areas for which such savings could be found are those where they are seeking the additional bids. They have also failed to identify any specific options for reductions, merely saying that any options required will come from controlled programmes.

17. Home Office

Offsetting savings £ million cash

	1983-84	1984-85	1985-86
Offsetting savings			
Police superannuation	32.4	-	-
Prisons	15.8	21.6	15.7
Police civilians	2.0	1.1	-
Fire (cg)	1.3	1.4	-
Civil defence (la)	3.6	4.1	4.1
Total	55.1	28.2	19.8

Other offsetting savings may be found in the continuing scrutiny of detailed central government requirements, but they are unlikely to total more than several million pounds.

Options for reductions

2. The baseline provision is made up as follows:

£ million cash

	1983-84	1984-85	1985-86
Spending authority			
Local authorities	3281	3416	3553
Central government	661	716	745

(a) Local authorities

3. Reductions in current expenditure by the police, courts, probation and fire services could not be delivered, short of taking specific new powers, eg to reduce police establishments or control directly the numbers of police civilians employed by individual authorities.

4. Reductions in capital expenditure on police, probation and magistrates courts building could be delivered, but would be opposed by the Home Office on the grounds that existing accommodation is unsatisfactory and needs are growing. The Treasury believe that a reduction of £10 million a year is feasible.

(b) Central government

5. Central government expenditure is dominated by the cost of the prison service. The savings required to offset extra bids for prisons and to include reductions of 2 per cent, 3 per cent and 4 per cent in the three years would be:

		£ million cash
1983-84	1984-85	1985-86
£55.3	£61.9	£78.8

Marginal savings on prisons expenditure could not achieve anything like these figures. The only practicable way would be to reduce the prison population. Little would be achieved until it was reduced below the certified normal accommodation (CNA), as above that figure reductions would lessen overcrowding without enabling commensurate closures of establishments and staff savings to be achieved. To bring about the savings required the CNA would need to be reduced by about 9 per cent to about 34,000 for the first two years. This would involve the closure of 18 - 20 establishments. For the third year a further reduction to 32,000 would be required, involving the closure of about 5 more prisons.

6. If the prison service were to be exempt, the reduction to be illustrated would represent 6 - 12 per cent of other Home Office expenditure, two-thirds of which is accounted for by police support and central administration. Even pro rata cuts of 2 - 4 per cent would seriously affect the quality and quantity of scientific and technical support for the police and in the training field would be counter to the recommendations of the Scarman report. If further cuts were applied to central administration, they would involve manpower reductions below the agreed Home Office target for 1 April 1984, which would not merely frustrate existing plans for improvements but lead to a significant deterioration in police support, immigration

control and other services, and the risk of breakdown of after entry immigration control altogether.

7. The Treasury, however, believe that certain options are possible which would not be inconsistent with the commitment on law and order. These include a decision to revalue annually at, or close to, the rate of inflation, the level of fixed penalty fines; and similarly to uprate the maxima on all other fines in accordance with powers included in the Criminal Justice Bill. Action might also be taken to improve fine enforcement, and savings made by reviewing the deployment of traffic wardens.

8. In addition, the Treasury believe that losses on prison industries suggest there should be a cut-back in working and fixed capital investment; further savings might be made on vocational training and educational services; and the prison refurbishment programme, which already seems too ambitious for the resources made available, could be trimmed. Minor savings might be achieved by increasing the threshold for payments under the Criminal Injuries Compensation Scheme, either annually or biennially.

18. Lord Chancellor's Department

Options for reductions and offsetting savings

£ million cash

		1983-84	1984-85	1985-86
Offsetting savings required		-	-	40.0
Options for reductions required		9.0	15.1	20.9
Total		9.0	15.1	60.9
Items				
	(A) Court Buildings			
(i)	Postponement of site acquisition and construction starts on new buildings	0.6	1.2	3.0
	(B) Court Services			
(ii)	Reduction of jury from 12 to 10	2.3	2.3	2.3
(iii)	Juries: abolition of peremptory challenges and standing-by	-	1.0	1.0
	(C) Legal Services			
(iv)	Restrict Advice and Assistance to matrimonial and criminal matters	6.5	7.5	8.5
(v)	Rights of audience for prosecuting solicitors in the Crown Courts	-	0.8	0.8
(vi)	Separate but fair remuneration for matrimonial legal aid	-	2.0	2.0
(vii)	Withdraw criminal legal aid for shoplifters	-	-	2.5
(viii)	Withdraw legal aid for motoring offences	-	-	1.0
Total		9.4	14.8	21.1

Offsetting savings

1. No offsetting savings are offered against the bid for £40 million in 1985-86. All expenditure is by central government. Only option (i) involves capital.

Implications

(A) Court Buildings

2. The above savings could be achieved administratively but would have a knock-on effect on the construction programme.

(B) Court Services

3. The proposed reduction in jury numbers and the abolition of peremptory challenges and standing-by are policy matters for the Home Office. Both involve sensitive political considerations and would require primary legislation.

(C) Legal Services

4. Most of the measures under this heading would require primary legislation which would be controversial and meet with strong resistence from the legal profession. Options (iv), (vii) and (viii) could be seen as prejudicing the ability of persons to pursue their legal rights or to be defended in certain criminal proceedings.

5. No option involves civil service manpower.

Additional note

6. Policy relating to the recovery of court costs through fees is about to be considered by Ministers. This follows an inquiry by the PAC.

19. Department of Education and Science

Options for reductions and offsetting savings		£ million cash	
	1983-84	1984-85	1985-86
Offsetting savings required	240	360	365
Options for reductions required	245	375	515
Total	485	735	880
Items			
(a) Student awards: reduction in grants	20	40	50
(b) Abolish school meal service with shorter school day*	140	220	230
(c) Abolish provisions for under fives*	80	130	135
(d) Further reductions in school-teacher numbers*	40	85	130
(e) Reductions in NAFE lecturer numbers*	35	60	70
(f) Charges for primary and secondary education*	170	200	265
Total	485	735	880

*legislation required (not in 1982-83 legislation programme). Additional savings to meet the unquantified first bid would be met through increased charges under option (f).

(a) Student awards: reduction in grant

1. This option would encourage students to study near home by progressively reducing by half the differential between the grant for those living at home and those choosing to study away from home. It would also eliminate claims for additional travelling costs. It would be strongly opposed as restricting opportunities for higher education and, in effect, reducing student grants still further. It would have unpredictable effects on the viability of courses and student residences. It would operate selectively to the particular disadvantage of students living in rural areas, those obliged to spend part of their course abroad and those studying subjects where provision is concentrated in a small number of institutions.

(b) Abolish school meal service with shorter school day

2. The remaining subsidy on the school meal service covers mainly the provision of free meals for pupils from families in receipt of family income supplement or supplementary benefit or for teachers and school meals staff. Local authorities spend about £75 million on mid-day supervision. This option requires removal of the power to provide school meals and restriction of the school day in line with some continental practice (say 8 am to 1.30 pm) to avoid the cost of mid-day supervision and to weaken the case for including in supplementary benefit or family income supplement an allowance for the cost of lunch now provided free on 190 days a year. There would be much opposition from working mothers, single parents and organisations concerned with families on low incomes and the required legislation would be widely opposed as discriminating both against women generally, and against the poorest members of society. This option calls for such major adjustments in how families (as well as teachers) spend their day during term-time, as to cause much transitional disruption, and perhaps increases in crime and vandalism by unsupervised children. Even if additional resources were made available to provide facilities for 'latch-key' children, it is the DES view that the educational effectiveness of the schools would be reduced. In order to meet the requirements of the survey, it would be necessary for the new arrangements to be implemented in September 1983 hence requiring a tight time-table for the passage of highly controversial legislation.

(c) Abolish provision for under fives

3. This option would remove the power of local authorities to provide for children under statutory school age. Nursery classes and schools would close and there would be no 'rising fives' in reception classes in primary schools. There would be serious educational effects on children with difficult home backgrounds or learning difficulties arising from some other cause, for whom nursery education is a means of helping them to profit from primary and secondary education. There would again be strong opposition to such a measure from working mothers and womens' organisations. The required legislation would be highly controversial.

(d) Further reductions in school-teacher numbers

4. This would require cuts below the Cmnd 8494 planned levels in the numbers of school-teachers employed by local authorities of 7,000 in 1983-84, 10,000 in 1984-85 and 11,000 in 1985-86. As noted in paragraph 6 of the main text, Cmnd 8494 plans already require the loss of 40,000 teaching posts between 1982 and 1985. This further cut could only be secured by drastic reduction in intakes to teaching. If teacher numbers fell by 9,000 again this year, the cut would imply a virtual moratorium on recruitment in 1983, the replacement of about half the teachers leaving in 1984 and three-quarters of those leaving in 1985. Retrenchment of this order would have severe effects on the curriculum in schools and on the morale of teachers in training. To ensure that the teacher cuts were carried through, legislation to enable the Government to control the numbers of teachers employed by individual local education authorities and to qualify their obligation to provide education suitable to age, ability and aptitude would be needed.

(e) Reduction in NAFE lecturer numbers

5. This option envisages the loss of a total of 7,000 lecturer posts in non-advanced further education between 1982-83 and 1985-86. Provision in 1982-83 has been made in the light of increasing demand for places on courses from 16-19 year olds, including those on the Youth Training Scheme; a reduction in lecturer numbers of the order proposed in this option would rule out a contribution by the maintained education service to the Scheme.

(f) Charges for primary and secondary education

6. This option provides for termly charges of £10-15 in primary and secondary schools from September 1983. Parents in receipt of family income supplement or supplementary benefit would be exempt from charges (but this would worsen the poverty trap). The charges would in effect be a tax on education and the required legislation would be widely opposed as a major breach in the principle of free school education in the 1944 Education Act (and earlier Acts in respect of elementary education). A higher level of charges would lead to a pro-rata increase in the savings.

20. Office of Arts and Libraries

Options for reductions and offsetting savings

£ million cash

	1983-84	1984-85	1985-86
Offsetting savings required	72.0	95.0	110.0
Options for reductions required	11.1	17.4	24.1
Total	83.1	112.4	134.1

Offsetting savings

2. Cmnd 8494 provision implies, among other things, the withdrawal of Arts Council support for major national organisations and regional activities, less conservation work by, and public access to, the national museums and galleries, the sale of works of art abroad as the National Heritage Memorial Fund, the acceptance in lieu of tax provision and the national institutions' purchase grants are unable to cope with the growing number of private collections likely to become available for disposal, irreversible deterioration of the National Film Archive and inability on the part of the British Library to meet demands for loan stock and new information technology developments. Maintenance and capital development of the national institutions' premises will be further curtailed, with consequent implications for the preservation of historic buildings and for public access to the collections. In addition, local authority provision for public libraries and museums will also be under severe pressure, leading to restricted public access and reduced acquisition and conservation, so that growing public demand from educational, business and other users will increasingly cease to be met.

3. The flexibility which OAL has to deploy resources within the programme has permitted the pattern of activity supported to be adjusted year by year, with the result that the programme already reflects current priorities. The additional bids are therefore, by definition, for activities which are of marginally lower urgency and/or importance than those now in the programme. It would therefore be self-defeating to list specific offsetting savings to enable them to be accommodated. Offsetting savings

could be achieved only by forgoing the additional bids themselves. There is no significant scope for economy through rationalisation or elimination of waste, without affecting the level, range and quality of service.

Options for reductions

4. Given the major discrepancy already existing between planned and actual expenditure on the relevant local authority services, it would not be realistic to propose further savings on these services. Reductions of the order specified would, therefore, require to be carried entirely on the central programme. Since the central programme accounts for only about 40 per cent of the total, it follows that the percentage reductions requested for exemplification would amount to reductions in the central programme of the order of 5 per cent in 1983-84, 7 per cent in 1984-85 and 10 per cent in 1985-86. A 2 per cent reduction in the Cmnd 8494 baseline for 1983-84 would amount to some £11 million, 3 per cent in 1984-85 would be £17 million and 4 per cent in 1985-86 would be £24 million. There are two ways in which reductions of this order could be secured. First by the elimination of major central government activities (eg cessation of provision for the National Heritage Memorial Fund, purchase grants for the national museums and galleries in England and the British Film Institute - which would have to be put into liquidation) and swingeing cuts in the Arts Council grant resulting in withdrawal of support for two major national institutions (probably the Royal Shakespeare Company and English National Opera). Secondly by spreading the cuts and their affects as widely as possible over the whole programme, with consequential widespread disruption of activities. The OAL consider that the former is not politically feasible. Accordingly, reductions would be taken across the board.

21. DHSS - Health and Personal Social Services

Options for reductions and offsetting savings £ million cash

	1983-84	1984-85	1985-86
A. HOSPITAL AND COMMUNITY HEALTH SERVICES			
Offsetting savings			
None possible	-	-	-
Excess of bids over savings	301.5	430	562
Met by abandoned bids	301.5	430	562
Options for reductions			
Adjusted baseline			
current	8632	9065	9428
capital	689	724	753
Options for reductions (2/3/4%)			
current	173	272	377
capital	14	22	30
Achieved by reductions in standards			
current	173	272	377
capital	14	22	30
B. CENTRALLY FINANCED SERVICES			
Offsetting savings			
None possible	-	-	-
Excess of bids over savings	26	29	30.5
Met by abandoned bids	26	29	30.5
Options for reductions			
Adjusted baseline			
current	473	500	520
capital	27	20	21
Options for reductions (2/3/4%)			
current	9	15	21
capital	½	½	1
Achieved by reductions in standards			
current	9	15	21
capital	½	½	1

C. FAMILY PRACTITIONER SERVICES

Offsetting savings			
None possible	-	-	-
Excess of bids over savings	69½	73½	136½
Met by abandoned service bids and increased income from charges	4	4	4
(1983-84 20% rising to 33% in 1985-86)	65½	69½	132½
Options for reductions			
Adjusted baseline			
current	2586	2758	2869
capital	2	2	2
Options for reductions (2/3/4%)			
current	52	83	115
capital	-	-	-
Met by increased income from charges (1983-84 15%, 1984-85 22%, 1985-86 30%)	52	83	115
OR Half price prescription charges for exempt groups	-	50	52
OR Cost-related prescription charges	-	40	42
OR Withdrawal of general optical service	-	-	35
OR Withdrawal of general dental service	-	-	110

D. PERSONAL SOCIAL SERVICES

Offsetting savings			
None possible	-	-	-
Excess of bids over savings	207	229	259
Met by withdrawal of bids	207	229	259
Options for reductions			
Adjusted baseline			
current	1963	2072	2155
capital	110	116	120
Options for reductions (2/3/4%)			
current	39	62	86
capital	2	4	5

HCHS and CFS

(a) Offsetting savings

1. The additional cash bids in the survey report are designed to maintain the general levels of services implied in the cash provisions of Cmnd 8494 against erosion by inflation. If the bids are not granted but the higher costs nevertheless incurred, there would be serious cuts in these services.

2. The service bids are necessary, because authorities could not in general be expected to reduce present essential services to meet new pressures.

3. As explained in the survey report, DHSS believe that it is unrealistic to plan on the assumption that health authorities could make efficiency gains over and above those of about 2 per cent of their spending on hospitals and community health services between 1981-82 and 1984-85 that are already assumed in Cmnd 8494. They may, however, be able to make further efficiency savings of 0.5 per cent in 1985-86.

4. If no resources beyond Cmnd 8494 were available, we should therefore have to withdraw the service development bids. We would withdraw first the £50 million a year bid for HCHS capital. After that we would withdraw selectively and as necessary some of the service improvement bids - minimum maternity standards, hepatitis vaccination, special hospital capital, help with housing association hostels, scheme for volunteering by the unemployed, extra for district nurses and health visitors and long-stay hospital standards.

5. We should be most reluctant to withdraw bids for increased joint finance, whooping cough and rubella vaccination, help to drug misusers, demonstration projects to help the elderly severely mentally infirm, improvements for mentally handicapped children, intermediate treatment, and day-care for the under-fives; and the bids to cover demography, medical advances, and the relative price effect on purchases. The allowance for general inflation will no doubt be decided by Ministers for the public sector as a whole.

(b) Options for reductions

6. Reductions of 2-4 per cent could only come from cuts in services. The consequences for HCHS would be a widening of the gap between provision and need in services for old people, a drop in standards of long-stay care whose improvement has always been a high priority, halt to geographical redistribution, severe increases in waiting lists and waiting times and no further medical advances. Cuts in current expenditure would force authorities to leave unopened a larger number of new capital facilities than at present. By 1985-86, the number of cases treated would fall short of present standards (allowing for demographic trends) by some 180,000 and long-stay staff/patient ratios per bed would fall.

7. Cuts in health authority capital, though immediately less serious than current cuts, would reduce still further an already modest capital programme and seriously delay the replacement, renovation and maintenance of an ageing capital stock.

8. In the CFS, a significant proportion of expenditure (e.g welfare food and equipment for disabled people) is demand determined. Cuts here could not be imposed without changing the nature of the services, in some instances requiring legislation. Cuts elsewhere would mean either a reduction in standards or a complete withdrawal of essential services. These would often result in increased demands on other public services.

FPS

9. Withdrawal of the cash bid or the bid to cover increased demand would result in cash provision for the FPS being exceeded.

10. An alternative would be to increase charge income. New charges however would be inconsistent with Ministerial pledges and were ruled out in the last survey. Increases in existing charges would need to be significantly above inflation, would add to the RPI and, following substantial recent increases (eg since 1978-79 prescription charge by 290 per cent and maximum dental charge by 80 per cent, both in real terms)

would be difficult for Ministers to defend. For example, charge income would need to be increased by about 20 per cent in 1983-84 rising to 33 per cent in 1985-86 to offset in full the cost of the additional bids; and by a further 15 per cent in 1983-84 rising to 30 per cent in 1985-86 to meet the option targets. It would be necessary to raise the actual charges by rather more than these percentages.

11. Other charging options would be to:

- introduce half-price prescription and other charges for most groups now wholly exempt from charges
- relate prescription charges to cost, in place of the present flat rate
- withdraw the General Ophthalmic Services (GOS) and/or the General Dental Service (GDS).

12. Half-price charges might raise about £50 million a year from 1983-84, but would hit the groups affected - in particular the elderly and children - undermine the defence used in earlier years for increasing charges, namely that exempt groups would be protected, and break a Ministerial pledge.

13. A cost-related scheme designed to produce about £40 million a year would mean a maximum charge perhaps three times higher than the existing prescription charge. It would be administratively complex and would require legislation. It could not be introduced on a full year basis before 1984-85.

14. Withdrawal of the GOS might yield net savings of £35 million. For the GDS, the net saving might be £110 million. Withdrawal of either would require primary legislation (for which no suitable Bill is in prospect), could not be done before 1985-86, and would represent a severe weakening in the concept of the NHS.

15. Withdrawal of the GOS and/or the GDS would be the most unacceptable of these options. Cost-related presciption charges would be the next most unacceptable, followed by half-price charges and then a general increase in charges within the present arrangements. But none of the options could be adopted without the most serious political difficulty.

NHS manpower

16. The table below shows in column A (repeated from PESC Report) expected growth in NHS manpower if the planned level of expenditure in Cmnd 8494 is achieved. Column B shows the reduction in manpower which would be necessary if the full options for reductions are exercised. FPS manpower would not be affected unless the GDS were withdrawn.

Thousands

	A			B		
	1983-84	1984-85	1985-86	1983-84	1984-85	1985-86
HCHS	836	838	838	17	25	34
CFS	11	11	11	0.2	0.3	0.4
FPS	39	40	40	-	-	-
Total	886	889	889	17.2	25.3	34.4

PSS

17. The provision for local authority personal social services is indicative, and the delivery of reductions could not be guaranteed. The indicative provision for 1983-84 already implies a reduction of 3 per cent in real terms, even though social services' spending is under heavy pressure particularly because of the increasing number of very old people and growing needs in the child care field.

PSS manpower

18. The table below shows in column A the estimated local authority personal social services manpower and in column B the reductions which would have to be made if expenditure were reduced by 2 per cent, 3 per cent and 4 per cent.

Thousands

A				B		
1981-82	1983-84	1984-85	1985-86	1983-84	1984-85	1985-86
203	198	199	199	4	6	8

DHSS manpower

19. There would be no reduction in DHSS manpower in the special hospitals, artificial limb and appliance centres and youth treatment centres arising from the options for reductions discussed above. Implications for the rest of the Department's manpower are discussed in chapter 22.

22. DHSS - Social Security

Options for reductions and offsetting savings £ million cash

	1983-84	1984-85	1985-86
Offsetting savings required*	794	1,188	1,578
Options for reductions required	234	794	1,191
Total	1,028	1,982	2,769

Illustrative savings - ready reckoner

	Part year 1983-84	1984-85	1985-86
(a) Deferring uprating for one week for each one per cent uprating	5	5	5
(b) Uprating by 1 per cent less than the movement in prices.			
"pledged" benefits (ie retirement pensions and other related long-term benefits)	60	175	180
"unpledged" benefits (ie other benefits including child benefit, supplementary allowance, sickness and unemployment benefits)	35	95	100
Total for all benefits	95	270	280

* Additional bids net of reduced requirements

1. During 1979, 1980 and 1981 various measures were taken to reduce social security expenditure as a result of which savings of about £1.5 billion have been made, mostly recurring annual savings. A wide range of possible sources of savings were considered and a number rejected as unacceptable. The scope for identifying acceptable savings through the further withdrawal of benefits rights or alteration in the entitlement rules is exceedingly limited, and no new measures have been identified. If reductions in expenditure or offsetting savings are required to be found, the only remaining ways to achieve significant savings would involve uprating benefits by less than the forecast increase in prices or deferring the annual uprating date.

2. Deferral of the uprating date is estimated to save over the 19 weeks from the normal uprating date to the end of the financial year about £95 million for each 1 per cent uprating.

3. So far as reducing the uprating is concerned, the Government is pledged to maintain the value of the retirement pension and other related long-term benefits. These account for about 60 per cent of benefit expenditure so that if the pledge is to be honoured the room for manoeuvre in saving on the cost of upratings is greatly reduced.

4. While it is not considered that savings in the general uprating of benefits would be acceptable, the above table sets out, in a ready reckoner form, the savings that would be obtained from reducing, or deferring, the uprating. The figures can be used to show how offsetting savings could be obtained through these two routes. In practice, however, it is not possible to match precisely all the bids, options and savings for each year. To do so could require actual cuts in current benefit rates.

23. Civil Superannuation

Options for reductions and offsetting savings

Most of the expenditure is for the continuing payment of pensions already in payment and for new awards under the existing provisions of the pension scheme. Reductions could not be made without retrospective legislation relating to existing pensions, or accrued rights based on past service, or both. Any of these would be highly controversial. The reduction in civil service numbers precludes making savings by allowing retirements to be deferred. A change in the contribution arrangements, including the setting up of a fully contributory civil service pension scheme, is now being considered in the aftermath of the Scott Report. Such a change would produce a substantial reduction in this programme. The saving to total public expenditure, net of the consequential increase in other programmes, would be up to £150 million a year. The earliest date by which these changes could be introduced would be 1 April 1984.

24. Scotland

Agriculture is dealt with on a UK basis in the MAFF chapter.

Industry, Energy, Trade and Employment (excluding Tourism)

Options for reductions £ million cash

	1983-84	1984-85	1985-86
Options for reductions required	3.4	5.3	7.2

As the baseline includes the special and contingent allocation of £10 million to the Highlands and Islands Development Board (HIDB) to deal with the effects of the Invergordon Smelter closure, it has been agreed with Treasury that the required reductions should be £3.3 million, £5.2 million and £7.2 million for 1983-84, 1984-85 and 1985-86 respectively.

2. The Scottish Office view is that these reductions would seriously damage the prospect for recovery in the Scottish economy. The reductions would have a disproportionate effect because selective financial assistance is demand-related and available for any project that satisfies the criteria laid down by Ministers, which means that any reductions must fall on the provision for the two development agencies. Any curtailment in the activities of the Scottish Development Agency (SDA) and the HIDB would weaken the prospects for economic recovery, especially in the HIDB area which has been particularly hard hit by major closures such as in Lochaber and Invergordon.

For illustrative purposes, the reductions would amount to:

£ million cash

	1983-84	1984-85	1985-86
SDA	2.6	4.1	5.8
HIDB	0.7	1.1	1.4
Total	3.3	5.2	7.2

25. Wales

Agriculture

Considered on a UK basis.

Industry, Energy, Trade and Employment (excluding Tourism)

Options for reductions £ million cash

	1983-84	1984-85	1985-86
Options for reductions required	1.6	2.6	3.6

Reductions of this order would mean substantial delays on the derelict land reclamation programme and a further decrease in the level of new factory building which the Welsh Development Agency could undertake.

Block

3. No options for reductions are exemplified because the block formula will apply.

26. Northern Ireland

Options for reductions and offsetting savings

The additional bid for housing expenditure has already been agreed by Ministers to be additional expenditure, and no offsetting savings are therefore displayed. Other bids either fall within the block and will be handled accordingly, or are within the responsibility of other Ministers. This also applies to options for reductions.

29. Other Departments

Table 29 £ million cash

	1983-84	1984-85	1985-86
Suggested reductions and offsetting savings:			
Cabinet Office (excluding secret vote)	0.464	0.409	0.566
Central Office of Information	0.857	1.348	1.870
Charity Commission	0.072	0.109	0.151
Commonwealth War Graves Commission	0.180	0.283	0.391
Crown Office	0.47	0.652	0.839
Customs and Excise	11.6	15.2	19.0
Exchequer and Audit Department	-	0.547	1.381
Friendly Societies Registry	0.511	0.410	0.257
Government Actuary	0.006	0.016	0.022
House of Commons	4.491	7.2	5.65
House of Lords	0.146	0.230	0.319
HM Stationery Office	4.633	2.726	-
Inland Revenue	18.970	7.881	63.727
Land Registry	8.183	10.940	6.808
Management and Personnel Office	0.919	1.354	1.839
National Investment & Loans Office	-	-	-
National Savings Department	2.93	4.6	6.3
Northern Ireland Court Service	0.865	0.928	0.987
Ordnance Survey	0.325	0.512	0.710
Parliamentary Commissioner	-	-	-
Paymaster General's Office	0.059	0.213	1.102
Privy Council Office	0.039	0.048	0.058
Public Record Office	0.127	0.129	0.174
Public Trustee Office	0.581	-	-
Office of Fair Trading	0.101	0.159	0.220
Office of Population, Censuses & Surveys	0.124	-	0.031
HM Treasury: Administration, note issue etc	1.935	2.377	2.231
HM Treasury: Rates on Government Property Department	-	-	-
Treasury Solicitor's Office	0.318	0.519	0.718
Total	58.906	58.790	115.351

29. Other Departments

Cabinet Office (excluding secret vote)

1. To meet the options for reductions and offsetting savings the Cabinet Office would have two choices:

   (i) to forego any further development of its computer facility; or

   (ii) to cut back the functions of the office by abolishing either the Central Policy Review Staff or a Secretariat. There would be no need for legislation. These measures seem drastic and the Treasury wishes to explore with the Department whether any less extreme measures would be feasible.

Central Office of Information

2. Options for reductions would have to be taken on the publicity campaigns for Government Departments including major campaigns on Energy Conservation, Road Safety and Services recruitment. Overseas publicity for Foreign and Commonwealth Office which is largely in support of exports and has been severely cut back over recent years, would be further reduced.

Charity Commission

3. The option cuts would only be possible if primary legislation was introduced in order to reduce the Commissioners' statutory functions.

Commonwealth War Graves Commission

4. The UK Government's contribution to the Commission provides for the major part of the Commission's expenditure and is fixed at 78 per cent. The remainder is provided for by contributions from five other Participating Governments and in order to reduce the Commission's expenditure it is necessary to secure the agreement of these other Participating Governments. Substantial savings could be achieved only by a reduction in staff costs, which represent over 80 per cent of total expenditure. The options for reductions imply staff reductions in the range of 25 - 50 posts in addition to those already planned for 1982-83 and later years.

Crown Office

5. Options for reductions and offsetting savings could only be achieved by:

(i) a further increase in the fixed penalty for parking offences from the present level of £10. The Secretary of State for Scotland's approval would be needed but the income would accrue to the Crown Office; or

(ii) a reduction in the level of prosecution in Scotland by the Crown Office which would increase the prospect of offending with impunity.

Customs and Excise

6. The required options and offsetting savings in 1983-84 could only be met by restricting or stopping recruitment leaving local management to handle the work as best they could, because all of the following options require legislation and/or consultation. This would have arbitrary and unpredictable effects on the machinery of revenue collection (eg computer operations), enforcement standards and the law and order functions of the Department.

7. The options and offsetting savings in 1984-85 and 1985-86 could be met by the following:

(1) Annual accounting with annual payment for small businesses whose annual liability does not exceed £2,000 per year (£4,000 per year if option 4 is also introduced and the total savings are to be maintained) would save an estimated £1.5 million (150 staff) each year. Revenue loss is likely to be minimal but there will be a once and for all PSBR cost of £115 million with a full year interest cost of £14 million. Subordinate legislation would be required.

(2) The abolition of duties on bingo, gaming machines and casinos (whilst retaining those on pool betting and general betting) would save about £0.9 million (90 staff) in each year. The annual revenue loss is estimated as some £105 million. Main legislation would be required in 1983.

(3) The restriction of Customs attendance at ports and airports to control traffic and clear freight only at specified hours. If these were sufficiently restrictive, it could be possible to save an estimated £6.6 million in 1984-85

and £6.9 million (600 staff) in 1985-86. Main legislation would not be required but there would need to be extensive consultation as such action would curtail and distort established trade patterns and practices. The measure would undoubtably provoke considerable opposition from port and airport authorities and other commercial interests. The alternative of universal charging for attendance outside such specified hours would reduce public expenditure but would produce staff savings only as and when operators altered their practices.

(4) Compulsory deregistration of VAT traders below the threshold in this year's Finance Bill would save an estimated £2.0 million in 1984-85 and £3.7 million (370 staff) in 1985-86. There would be an initial cost in 1983-84 because of the staff effort required to effect deregistration of large numbers of traders. An increase in the VAT yield of up to £40 million might be expected. Main legislation would be required in 1983. There would be widespread and very considerable opposition. The action would be seen as a blow to small traders and particularly unfair to those enjoying a net repayment of VAT. A minimum registration limit could be held to be in breach of the EC 6th Directive.

(5) Compulsory deregistration of VAT traders below a raised threshold of £24,000 would save an estimated £4.2 million in 1984-85 and £6.1 million (600 staff) in 1985-86 (additional to option 4). It is estimated that there would be a revenue loss of around £140 million a year. Main legislation would be required in 1983. The opposition would be greater than for option 4 and the measure would be in breach of the EC 6th directive.

Exchequer and Audit Department

8. Options for reductions in 1983-84 would be met by a reduced requirement. The remaining options and offsetting savings, which would fall on manpower, could only be achieved by reducing the scope and quality of the audit.

Friendly Societies Registry

9. Options for reductions and offsetting savings could only be achieved by reducing the staff complement of the Department. This would require the temporary suspension

of certain functions and the abolition of others, thereby impairing the supervisory role of the Department. In 1985-86 further savings could be achieved by an increase in charges for building society work. Legislation would be required to produce most of these savings.

Government Actuary

10. The Department's expenditure is exclusively on staff and general administrative expenditure. The reductions shown are equivalent to one Assistant Actuary fewer in 1983-84 rising to one Actuary and one Assistant Actuary fewer in 1985-86. Cuts would seriously impair the capacity to provide actuarial advice in major areas of government.

House of Commons

11. No options or offsetting savings have been supplied by the House of Commons on expenditure which they control. The House Authorities point out that expenditure on salaries and allowances for MPs is demand led. Any reductions would have to come from reductions in staffing and related expenditure by the House of Commons Commission. The House of Commons Commission have not identified any options or offsetting savings. These would require a reduction in staff and in the level of service which the Commission provides to MPs and therefore the agreement of the House of Commons. The reductions shown have been calculated by Treasury divisions and are illustrative only.

House of Lords

12. Owing to the nature of Parliamentary expenditure no options for reductions can be forecast. To achieve any reductions it would be necessary to consider with the House Authorities the possibility of reducing services to the House of Lords with resulting savings in staff costs and related expenditure. The options shown are therefore illustrative only.

HM Stationery Office

13. Options for reductions in 1985-86 have been met from a reduced requirement. Options for reductions in 1983-84 and 1984-85 might be met from reductions in the amount which HMSO are permitted to borrow. This would be likely to result in either the cancellation or deferment of capital projects with a consequent adverse effect on

the performance of the Trading Fund. The alternatives are to increase further the price of Hansard or reverse the decision to maintain the present level of discount in the sale of government publications to public libraries. HMSO has no power to enforce a reduction in the provision for supplies to Parliament.

Inland Revenue

14. Offsetting savings for the additional bids for 1983-84 and 1985-86 and options for reductions would require further staff reductions which in turn might require legislative or fiscal changes of a budgetary nature affecting the numbers of taxpayers of various kinds.

15. Such changes could include, increases in tax thresholds which, although saving staff, would involve a considerable loss of revenue. The following table shows the relationship between staff savings and revenue costs of threshold adjustments:-

Increases in tax thresholds (per cent)	Cost of staff saved £ million	Revenue lost £ million
10	7	1,830
20	12	3,470
30	18	5,060
40	23	6,590

Land Registry

16. Options for reductions and offsetting savings imply reduced gross expenditure of £8.183 million in 1983-84, £10.940 million in 1984-85 and £6.808 million in 1985-86. Public demand for land registrations would not be met and receipts, which on present plans will substantially exceed gross expenditure throughout the survey period, would suffer.

Management and Personnel Office

17. To meet the options for reductions and offsetting savings the Management and Personnel Office would need to:

(i) curtail recruitment by the Civil Service Commission for certain classes or grades which would require an amending Order on Council to adjust the statutory responsibilities of the Commissioners; and

(ii) in addition a severe pruning of the Management studies and Policy and Administrative Directorate in the Civil Service College would be required, with perhaps an amalgamation of the two options.

National Investment and Loans Office

18. Net expenditure on this programme is a token £1,000 a year because NILO generates sufficient receipts to cover its original costs, and therefore percentage options are nil.

National Savings Department

19. Reductions at the lower end of the scale of options would be made by:

(i) pruning advertising: a step which could damage DNS's position in the highly competitive savings market and hence its funding role.

(ii) The higher options for 1984-85 and 1985-86 would in addition require a policy change designed to reduce the number of transactions handled deliberately restricting sales of savings certificates to aim mainly at those investors with larger sums to invest. To attract large investors the Department would need to offer significantly better returns than those offered by competitors. For any given borrowing targets the effect of these options would be to increase the cost of the interest/tax concessions on the new borrowing.

Northern Ireland Court Service

20. Options for reductions and offsetting savings would be met by:

(i) postponing the new court building programme; and

(ii) raising the recovery rate on court fees.

Ordnance Survey

21. It is expected that the Ordnance Survey will become a Trading Fund on 1 April 1983. In that event, the survey's net borrowing from the National Loans Fund will be the only expenditure attributable to the Ordnance Survey programme. However, there will in addition be a contract payment to the Survey from the Department of the

Environment which will count as public expenditure. The options for reductions will then need to be considered.

Parliamentary Commissioner

22. Options for reductions have been met from reduced requirements.

Paymaster General's Office

23. Reduced requirements in 1983-84 and 1984-85 go some way towards the options for reductions. As the level of demand for the Departments service is outside its control, the balance of the options and the offsetting savings would only be achieved by:

(i) abolishing the Analysis of Public Expenditure (APEX) monitoring system. This would save £200,000 a year but would deprive the Treasury of important financial monitoring information; or

(ii) of abandoning the weekly payment of certain pensions which would save up to £2.1 million a year. This would require the agreement of the Unions and would undoubtedly be vigorously opposed.

Privy Council Office

24. Options for reductions and offsetting savings could only be achieved by reducing the staff of the Department and replacing an Assistant Secretary presently on detached duty. This would however impair the effective functioning of the Department and would require the agreement of the respective Ministers.

Public Record Office

25. Options for reductions and offsetting savings for the installation of a machine readable records system and storage of Government film records would be achieved only by:

(i) reductions in the general level of services provided to the public; or

(ii) the introduction of charges for inspecting the records; or

(iii) a reduction in conservation work; or

(iv) a combination of these measures.

Charges were rejected in the Government's recent response to the Wilson Committee Report on Modern Public Records. Reduced conservation could put historic documents at risk. Staff reductions would be contrary to a recent assurance given in the House. A further additional bid totalling £2 million of the survey for essential repair work at Chancery Lane is too large in relation to the existing programme to be offset.

Public Trustee

26. Offsetting savings will be financed from receipts received from fees and charges.

Office of Fair Trading

27. Options for reductions would be from cutback in codes of practices work under the Fair Trading Act.

Office of Population Censuses and Surveys

28. The options for reductions would be met partly from reduced requirements. In 1983-84 and 1985-86 the balance of the options would require the discontinuation of certain surveys and statistical operations. No legislation would be required.

HM Treasury; Administration

29. Around two-thirds of the expenditure is staff related and before putting forward the additional bids (which are net figures), full account has been taken of the various measures to reduce the cost of administration. Offsetting savings in 1983-84 and 1984-85 could only be achieved by cuts in computer and telecommunications fee paid services and development studies. Such reductions would prejudice the ability of the Central Computer and Telecommunications Agency to obtain value for money in computers and telecommunications expenditure and delay the development and application of new technology. The Treasury does not consider this feasible. Any significant reductions in the baseline figures could only be attained by reducing the Treasury's capacity to handle and advise on the financial and economic issues which come before Government.

HM Treasury: Miscellaneous

30. The House authorities have been unable to identify any offset to additional bids for computer services to the Houses of Parliament and so no offsetting savings are shown. Additional bids in 1981-82 and 1982-83 were offset by savings in Central Computer and Teleommunications Agency Services but this is no longer practicable since any savings which the Agency find are required to offset its own additional bids mentioned in the previous paragraph. Offsetting savings for payment of pensions and lump sums to United Kingdom Members of the European Assembly who retire or are not re-elected in June 1984 are not available as once again this is Parliamentary expenditure. Finally offsetting savings are shown for a bid to increase the communications work of the tripartite committees of the National Economic Development Council. But these would require a reduction of 3-4 per cent in the existing staff of NEDC and would impair its activity to an unacceptable extent.

31. Further reductions to meet the options for reductions are not practicable. Almost 70 per cent of expenditure under this heading is made from the Consolidated Fund and is demand related. In some cases reductions would require legislation. Wherever the balance of expenditure is within the direct control of the Treasury, full account has been taken of Ministerial targets for manpower reductions and associated expenditure.

HM Treasury: Note issue, debt management and coinage

32. All the services provided by the Bank of England reflect Government monetary and debt management policy and the level of activity necessary to implement such policy. Any reductions would be dependent on what would be major changes in the underlying policy. Briefly, there are no possibilities for reducing expenditure on the Exchange Equalisation Account, any further reduction in staff numbers engaged on British Government stocks management would be likely to lead to an unthinkable failure of operations in the gilts market. The note issue is demand determined and the expenditure on Note Issue is miniscule in comparison with the Profits of the Issue Department which is directly related to the face value of notes issued. The quality of the Note Issue has already been reduced and has been subject of criticism, any further reduction would be controversial and potentially dangerous.

33. Expenditure on coinage is demand led and no reductions can be made unless Ministers change their view that demand for coins should be met in full. In addition, the production of coins produces a profit for the Exchequer.

HM Treasury: Rates on Government Property Department

34. Rate payments are the only expenditure in this programme. Administrative costs are included in the figure for HM Treasury (Administration). The department does not determine the amount of Government property occupied and cannot, therefore, offer realistic or achievable options for reductions.

Treasury Solicitors Department

35. There are no feasible offsetting savings in 1983-84. Some offsetting savings in manpower will become available in later years if the computer facilities are installed. It is proposed to cover the options for reductions by a functional change following which the cost of conveyancing will be charged to user Departments on a repayment basis. (Initial discussions have already started on this charge.) The options for reductions would be to withold some of the existing provision (£2.2 million, £2.3 million, £2.4 million) when the conveyancing work was transferred to a repayment basis.

ANNEX A

Options for reductions and offsetting savings 1983-84 - 1985-86

Options for reductions and offsetting savings by Department and broad economic category

£ million cash

Capital/ Current		1983-84	1984-85	1985-86
	Ministry of Defence			
	Foreign and Commonwealth Office - Overseas Development Administration			
CUR	Net aid programme	20.3	32.0	44.4
CAP	CDC	0.3	0.4	0.6
CUR	Overseas aid administration	0.5	0.7	1.0
	Total	21.1	33.1	46.0
	Foreign and Commonwealth Office - Other			
CUR	Overseas representation	9.4	14.1	19.5
CUR	Overseas information	-	0.5	1.0
CUR	Other external relations	0.5	0.7	0.7
CUR	Military aid	0.3	0.4	0.5
	Total	10.2	15.7	21.7
	European Community			
	Intervention Board for Agricultural Produce			

£ million cash

Capital/ Current		1983-84	1984-85	1985-86
	Ministry of Agriculture, Fisheries and Food			
	Agriculture, Fisheries and Food			
CUR	Estimating reductions	8.4	10.2	21.8
CUR	Deferment of agreed AHDS target income option	1.2	2.0	2.1
CAP	Land sales	-	1.2	-
CAP	Reductions in capital grants	17.0	25.0	35.0
CAP	Thames tidal defences	-	-	5.2
	Total	26.6	38.4	64.1
	Forestry Commission			
CAP	Timber receipts	-	-	1.2
CAP	Reduction in vehicles, etc	0.9	0.4	1.6
CAP	Capital building work	-	0.2	-
CAP	Materials, services and administration expenses	0.4	1.3	0.7
	Total	1.3	1.9	3.5
	Department of Industry			
CAP		24.0	30.0	43.0
	Department of Energy			
CUR	Nuclear R & D	9.4	15.2	21.5
CUR	Non-nuclear R & D	0.5	1.0	1.0
CUR	Energy conservation	0.4	0.6	0.8
CUR	Departmental administration	0.2	0.2	0.2
	Total	10.5	17.0	23.5
	Department of Trade			
	Elimination of ECTMO provision	-	2.6	2.6
CUR	Withdrawal of bids	3.0	3.4	10.9
	Total	3.0	6.0	13.5

£ million cash

Capital/ Current		1983-84	1984-85	1985-86
	ECGD			
CUR	Raising of fixed rates under the consensus	28.8	35.6	43.4
CUR	Yen facility	3.7	4.5	5.6
CAP	Refinance	50.0	-	-
CUR	Withdrawal of matching facility	5.4	5.7	5.9
	Total	87.9	45.8	54.9
	Department of Employment			
CUR	Reductions within the MSC	29.4	49.4	6.7
CUR	Reductions within the HSC	1.8	2.8	-
CUR	Reductions in the Community Enterprise Programme	2.2	-	-
	Reductions in rebate to employers from the redundancy fund:			
CUR	- from 41 to 36 per cent	-	24.5	-
CUR	- from 46 to 29 per cent	-	34.5	-
	Total	33.4	111.2	6.7
	Department of Transport			
	Capital spending			
CAP	Motorway/trunk road construction	33.0	44.0	59.0
CAP	Local transport	36.0	49.0	64.0
	Central government subsidies to transport industries:			
CUR	British Rail	39.0	58.0	79.0
CUR	Other	1.0	2.0	3.0
CUR	Ports	7.0	6.0	7.0
	Miscellaneous:			
CUR	Driver and Vehicle Licensing Centre	3.0	4.0	5.0
CUR	Other transport services	2.0	3.0	5.0
	Total	121.0	166.0	217.0

£ million cash

Capital/ Current		1983-84	1984-85	1985-86
	Department of the Environment - Housing			
CUR		1035.0	911.0	749.0
	Department of the Environment - PSA			
CAP	Operational requirements (6 schemes)	1.0	1.8	2.3
CUR	Lease expiry (2 schemes)	2.3	3.4	1.6
CAP	Overcrowding/increased efficiency	1.5	3.8	4.1
	Total	4.8	9.0	8.0
	Home Office			
CUR	Police superannuation	32.4	-	-
CUR	Prisons	15.8	21.6	15.7
CUR	Police civilians	2.0	1.1	-
CUR	Fire (cg)	1.3	1.4	-
CAP	Civil defence (la)	3.6	4.1	4.1
CAP	Local authority capital	10.0	10.0	10.0
	Total	65.1	38.2	29.8
	Lord Chancellor's Department			
CAP	Court Buildings: Postponement of site acquisition and construction starts on new buildings	0.6	1.2	3.0
	Court Services:			
CUR	Reductions of jury from 12 to 10	2.3	2.3	2.3
CUR	Juries: abolition of peremptory challenges and standing-by	-	1.0	1.0
	Legal Services:			
CUR	Restrict advice and assistance to matrimonial and criminal matters	6.5	7.5	8.5

£ million cash

Capital/ Current		1983-84	1984-85	1985-86
CUR	Rights of audience for prosecuting solicitors in the Crown Courts	-	0.8	0.8
CUR	Separate but fair remuneration for matrimonial legal aid	-	2.0	2.0
CUR	Withdraw criminal legal aid for shoplifters	-	-	2.5
CUR	Withdraw legal aid for motoring offences	-	-	1.0
	Total	9.4	14.8	21.1
	Department of Education and Science			
CUR	Student awards: reductions in grants	20.0	40.0	50.0
CUR	Abolish school meal service with shorter school day	140.0	220.0	230.0
CUR	Abolish provision for under-fives	80.0	130.0	135.0
CUR	Further reductions in schoolteacher members	40.0	85.0	130.0
CUR	Reductions in NAFE lecturer numbers	35.0	60.0	70.0
CUR	Charges for primary and secondary education	170.0	200.0	265.0
		485.0	735.0	880.0
	Office of Arts and Libraries			
CUR	Withdrawal of additional bids	72.0	95.0	110.0
CUR	Across the board cuts	11.1	17.4	24.1
		83.1	112.4	134.1
	DHSS - Health and Personal Social Services			
CAP/CUR	Hospital and Community Health Services: Withdrawal of bids	301.5	430.0	562.0
CUR	Reductions in standards - current	173.0	272.0	377.0
CAP	capital	14.0	22.0	30.0

			£ million cash	
		1983-84	1984-85	1985-86
Capital/ Current				
	Centrally Financed Services			
CAP/CUR	Withdrawal of bids	26.0	29.0	30.5
CUR	Reductions in standards - current	9.0	15.0	21.0
CAP	capital	0.5	0.5	1.0
	Family Practitioner Services			
CAP/CUR	Withdrawal of bids	4.0	4.0	4.0
CUR	Increased charges (1983-84 20% rising to 33% in 1985-86)	65.5	69.5	132.5
CUR	Increased charges (1983-84 15%, 1984-85 22%, 1985-86 30%)	52.0	83.0	115.0
	or half price prescription charges for exempt groups	-	50.0	52.0
	or cost related prescription charges	-	40.0	42.0
	or withdrawal of general optical services	-	-	35.0
	withdrawal of general dental services	-	-	110.0
	Personal Social Services			
CUR	Withdrawal of bids	207.0	229.0	259.0
	Total*	852.5	1154.0	1532.0

*Includes increased charges for Family Practitioner Services of £52 million, £83 million and £115 million respectively in 1983-84, 1984-85, 1985-86 but excludes the alternatives also shown in the table.

£ million cash

Capital/ Current		1983-84	1984-85	1985-86
	DHSS - Social Security			
	Offsetting savings	794.0	1188.0	1578.0
	Options	234.0	794.0	1191.0
	by (a) deferring uprating for each one week per cent uprating (b) uprating by 1 per cent less than the movement in prices "pledged" benefits (ie retirement pensions and other related long-term benefits) and "unpledged" benefits			
CUR	Total	1028.0	1982.0	2769.0
	Civil Superannuation			
	Scotland			
CAP	SDA	2.6	4.1	5.8
CAP	HIDB	0.7	1.1	1.4
		3.3	5.2	7.2
	Wales			
CAP				
		1.6	2.6	3.6

£ million cash

		1983-84	1984-85	1985-86
Capital/ Current				
	Northern Ireland			
	Other Departments			
CAP/CUR		58.9	58.8	115.4