

PO-CH/NL/0020

PART A

UNCLASSIFIED



PO -CH /NL/0020



PART A

1987 BUDGET PRESS  
NOTICES AND CONTACTS  
WITH THE PRESS

DD'S 25 years NAZIS 28-3-95

PO -CH /NL/0020

PART A

STARTS 9-02-87

3-11-87

*fox*

FROM: B FOX

DATE: 9 February 1987

PS CH/EX ✓  
PS CST  
PS FST  
PS EST  
PS MST  
MR CROPPER  
MR TYRIE  
MR ROSS GOOBEY  
SIR T BURNS  
MR F E R BUTLER  
SIR G LITTLER

MR ANSON  
MR BYATT  
MR CASSELL  
MR KEMP  
MR LAVELLE  
MR MONCK  
MR A WILSON  
ALL GRADE 3s  
HEADS OF DIVISIONS

*Heena*  
*Tony*  
*Janet*  
*Neil*  
*Sukhbant*

*Please note.*

*Return to me please*

*M*

**CONTACTS WITH THE PRESS**

Numerous articles have appeared recently speculating on the likely content of the Budget. Several of them claim official sources and some, like the Philip Stephens article in the Financial Times on 6 February, carry quotes.

2. We can, of course, expect more of this kind of article in the coming weeks. The point of this note is to ask that any contact, however insignificant, since the turn of the year which has not yet been reported should be done so now and to remind you to report any future contact.

3. I should be grateful if Heads of Divisions would bring this note to the attention of their staff.

**BRIAN FOX**

POST BUDGET  
TV AND RADIO

746/85

NY 20  
PT.A

FROM: ROBERT CULPIN  
DATE: 24 FEBRUARY 1987

Re ring Robert and  
say content.

OK

phoned RC  
to say ch. content.

cc Chancellor

- CHIEF SECRETARY )
- FINANCIAL SECRETARY )
- ECONOMIC SECRETARY )
- MINISTER OF STATE )

separate copies

MF

- Sir Peter Middleton
- Sir Terence Burns
- Mr Scholar
- Miss O'Mara
- Mr Pickford
- Mr Towers
- Mr Gunton
- Mr Cropper
- Mr Ross Goobey
- Mr Tyrie

POST-BUDGET TV AND RADIO

Are you content, severally and collectively, to take on the broadcasting schedule below? It follows last year's pattern, which worked well; and I know that the Chancellor would be content.

You might like a word at Prayers.

ROBERT CULPIN

**POST-BUDGET BIDS**

**Recommendation**

**Budget day**

Budget specials:

BBC TV	Financial Secretary
ITN	Financial Secretary
Radio 4	Economic Secretary
IRN	Minister of State
BBC networked local radio	Economic Secretary
Financial World Tonight	Financial Secretary
Newsnight	Chief Secretary

**Budget Wednesday**

BBC Breakfast TV	Chief Secretary
Kilroy-Silk	Financial Secretary

**Later**

BBC World Service	Economic Secretary
Channel 4 Business Programme (Sunday)	Financial Secretary

## POST-BUDGET COMMITMENTS ALREADY MADE

	<u>Chancellor</u>	<u>Chief Secretary</u>
Tuesday	Budget Broadcast	
Wednesday	Today programme IRN equivalent	
Thursday	Jimmy Young This Week	Question Time
Friday		Any Questions

*Alex?*

*ps*



FROM: G R WESTHEAD  
DATE: 25 February 1987

MR CULPIN

cc PS/Chancellor  
Mr Pickford  
Mr Towers  
Mr Gunton  
Mr Cropper

POST-BUDGET TV AND RADIO

This is to confirm that the Economic Secretary is content with the allocation of Ministerial responsibilities for Budget day and post-Budget day media activities as set out in your minute of 24 February.

*Guy Westhead*

GUY WESTHEAD  
Assistant Private Secretary

005/2767



*Alex?*  
*pm*

FROM: JILL RUTTER

DATE: 25 February 1987

MR CULPIN

cc:

Chancellor  
Financial Secretary  
Economic Secretary  
Minister of State  
Sir Peter Middleton  
Sir Terence Burns  
Mr Scholar  
Miss O'Mara  
Mr Pickford  
Mr Towers  
Mr Gunton  
Mr Cropper  
Mr Ross Goobey  
Mr Tyrie

POST-BUDGET TV AND RADIO

The Chief Secretary is content with the programmes allocated to him in your minute of 24 February.

A handwritten signature in cursive script, reading "Jill Rutter".

JILL RUTTER



*Passed comments  
to D N Walters: DJF 4/3*

*see my  
comment  
inside*

FROM: D N WALTERS  
DATE: 3 MARCH 1987

**MRS RYDING**

cc Mr Scholar  
Miss O'Mara  
Miss Sinclair  
Miss Evans  
Mr Porteous  
Mr Woodall  
Mr Fray

### BUDGET DAY PRESS NOTICES

... We spoke about the need to issue guidance on press notices issued by the Chancellor's Departments and others on Budget Day. I attach a draft minute for my signature covering the former and a draft letter for your signature covering the latter. I would be grateful for your comments and those of copy addressees on the texts.

2. As you are aware, press notices always seem to provide us with the worst of the last minute problems and we should be clear now that our instructions are explicit. The arrangements are now fairly comprehensive and a liaison point in other Departments will allow us to put pressure on them if it looks on Friday the 13th as though their press notices will not appear on time. As agreed in the past, Mr Woodall will issue a similar letter to that attached for your signature on the Press Office network.

3. We should look to be issuing both the minute and the letter early Thursday at latest. I would therefore be grateful for any comments on the attached to reach me please by 4pm tomorrow. I apologise for the tight deadline.



D N WALTERS

DRAFT FROM FROM MRS RYDING TO PRIVATE SECRETARIES

**BUDGET DAY PRESS NOTICES**

As you will be aware, the Chancellor will be giving his Budget Statement on Tuesday 17 March. In handling press notices, we propose to follow the arrangements of previous years under which all press notices, including those issued by Departments other than the Chancellor's, are collated by the Treasury and issued both to the press and the House.

Your Department and others will no doubt already be considering what press notices you wish to issue on Budget Day. I would be grateful to know your intentions by close on Monday 10 March and the subject matter of any notices which you will be producing. It would also be helpful if you could let me have by then a contact point (name and telephone number) for any subsequent enquiry on each. All press notices should, of course, be cleared in draft with the appropriate public expenditure divisions in the Treasury as early as possible.

As you will appreciate, the Treasury will be photocopying and collating a large volume of material over the weekend before the Budget. As a consequence, I am afraid that we must ask for copies of press notices to be sent to us by no later than midday on Friday 13 March. We will require 1730 copies in all. These should be sent to our Committee Section preferably split within the package into three sets numbering 1150, 460 and 120 copies respectively.

Not get do  
we need to  
make this  
stronger is  
no later than  
at the very latest and  
preferably before hand

If you are issuing more than one press notice, it would ease our handling problems considerably if they could be packaged separately.

I am sending a copy of this letter to the Private Secretaries of all other Cabinet Ministers, David Norgrove (No 10) and Trevor Wooley (Cabinet Office).

[CR]

D N WALTERS

FROM: D N WALTERS  
 DATE: MARCH 1987

MR SCHOLAR

cc Mr Cassell  
 Mr Kemp  
 Mr Monck  
 Under Secretaries  
 Mr Culpin  
 Miss O'Mara  
 Miss Sinclair  
 Mr Haigh  
 Mr Romanski  
 Miss C Evans  
 Mr Porteous  
 Mr Dyer  
 Mrs Ryding  
 Mr Rawlings  
 PS/IR  
 Mr McManus - IR  
 PS/C&E  
 Mr Wilmott - C&E

**BUDGET DAY PRESS NOTICES**

We need to turn our attention now to what press notices will be issued by the Treasury (if any) and the Chancellor's other Departments on Budget Day.

2. Consequently, I would be grateful if copy recipients could consider the requirements in their area of responsibility and let me know by close on Monday 9 March if they intend issuing a press notice. I would be grateful if Messrs Haigh and Romanski could liaise with Inland Revenue and Customs and Excise on taxation press notices as well as considering their own requirements. The Bank and DNS may also wish to issue press notices and I would be grateful if Mrs Lomax could let me know what they propose.

3. Press notices from Treasury divisions are reproduced by CRU. The final text should be sent for reproduction to Rod Rawlings by no later than midday on Friday 13 March.

... 4. Treasury press notices should follow the standard format - a specimen is attached. Notices should be typed single-sided on plain A4 white paper, with a 1½" space at the top (allowing CRU to copy onto Treasury headed paper). The date should appear in the top left corner with the announcement below. After the announcement, the following should appear:

PRESS OFFICE  
HM TREASURY  
PARLIAMENT STREET  
LONDON SW1P 3AG  
01-270-5238

Opposite this will come the serial number. This must be obtained from Simon Woodall in IDT. After this should come the notes for editors. Any queries on the format of press notices should be addressed to Mr Woodall.

5. The Chancellor's other Departments, and the Bank, are responsible for copying their own press notices. Again it would be helpful to know by close on Monday 10 March what notices they propose to issue and, where appropriate, the order in which they intend to collate them. They should then arrange for 1730 copies to reach Committee Section by no later than midday on Friday 13 March. This allows collation of all press notices over the weekend. If there is any possibility that this deadline will not be met, I should be given advance warning as soon as possible. It would be very helpful if those Departments producing more than one

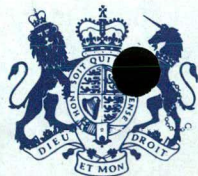
press notice could submit them in collated sets with a hole punched in the top left-hand corner (1" in from the margin and 1" down from the top). It would also greatly ease CRU's operation if they could be split within the package into three bundles of 1150, 460 and 120 copies respectively.

6. Mrs Ryding is also writing to all other Departments asking them to:

- (a) alert us by Monday of next week if they propose to issue press notices on Budget Day;
- (b) to clear any such notices in draft with the relevant expenditure divisions; and
- (c) to send us copies by midday on Friday 13 March.

7. Finally, it would be helpful if drafts of all press notices (Treasury and other Departments) could be sent to both myself and Miss O'Mara in EB - preferably by Tuesday of next week. In looking at the drafts you should also note the need to avoid if at all possible quotations from the Budget Statement since last minute changes to the text cause great problems in amending all the copies.

[DNW]



# H. M. TREASURY

Parliament Street, London SW1P 3AG, Press Office: 01-270 5238  
Facsimile: 270 5244  
Telex: 9413704

5 January 1987

## THE RESERVES IN DECEMBER 1986

The UK official reserves fell by \$83 million in December. Accruals of borrowing under the exchange cover scheme amounted to \$113 million; repayments of such borrowing amounted to \$165 million. Capital repayments on assignments to HMG of other public sector debt taken out under the exchange cover scheme amounted to \$3 million. Capital repayments on long-term North American loans amounted to \$124 million. At the end of December, the reserves stood at \$21,923 million (£14,776 million\*) compared with \$22,006 million (£15,312 million<sup>+</sup>) at the end of November.

PRESS OFFICE  
H M TREASURY  
PARLIAMENT STREET  
LONDON SW1P 3AG

1/87

01 270 5238

### Note to Editors

After taking account of foreign currency borrowing and repayments, the underlying rise in the reserves during December was \$96 million. The underlying change in the reserves is the result of a variety of transactions, both debits and credits, including, for example, transactions for Government departments and with other central banks, and interest receipts and payments. The underlying change should not therefore be taken as an indication of market intervention during the month. The above figures can also be obtained from the Reuters Monitor (Code TREA).

New borrowing under the public sector exchange cover scheme was as follows:

South of Scotland Electricity Board, \$105 million; Northumbrian Water Authority, \$8 million.

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\* When converted at the closing market rate on Wednesday 31 December  
£1=\$1.4837

+ When converted at the closing market rate on Friday 28 November  
£1=\$1.4372

Repayments of such borrowing were:

Lancashire County Council, \$1 million; Severn Trent Water Authority, \$1 million; South West Water Authority, \$1 million; British Telecom plc, \$17 million; North of Scotland Hydroelectricity Board, \$1 million; Electricity Council, \$15 million; Northumbrian Water Authority, \$2 million; British Coal, \$104 million; British Steel Corporation, \$3 million; North West Water Authority, \$4 million; British Rail Board, \$1 million; British Airways, \$7 million; British Nuclear Fuels plc, \$3 million; Yorkshire Water Authority, \$1 million; Anglian Water Authority, \$1 million; Strathclyde Regional Council, \$1 million; Other, \$2 million.



N4/20

PWP

FROM: D N WALTERS  
DATE: 4 MARCH 1987

MR SCHOLAR

cc Mr Cassell  
Mr Kemp  
Mr Monck  
Under Secretaries  
Mr Culpin  
Miss O'Mara  
Mr Bottrill  
Miss Sinclair  
Mr Williams  
Mr Haigh  
Mr Romanski  
Miss C Evans  
Mr Porteous  
Mr Dyer  
Mrs Ryding—  
Mr Rawlings  
PS/IR  
Mr McManus - IR  
PS/C&E  
Mr Wilmott - C&E

**BUDGET DAY PRESS NOTICES**

We need to turn our attention now to what press notices will be issued by the Treasury and the Chancellor's other Departments on Budget Day.

2. Consequently, I would be grateful if copy recipients could consider the requirements in their area of responsibility and let me know by close on Monday 9 March if they intend issuing a press notice. I would also be grateful if Messrs Haigh and Romanski could establish with Inland Revenue, Customs and Excise and Department of Transport which press notices they will be producing and if Mrs Lomax could advise on the intentions of the Bank and DNS.

3. On past form Treasury press notices are limited in number but include one on the main Supply Estimates and one on Government revenues from the North Sea. In earlier years, but not 1986, FP produced a press notice bringing together the main indirect tax changes. We are proposing to stick with the 1986 decision again.

4. Press notices from Treasury divisions are reproduced by CRU. The final text, having been cleared with the Chancellor, should be sent for reproduction to Rod Rawlings by no later than midday on Friday 13 March. At the same time the final text should also be copied onto a new disk and sent to Simon Woodall in IDT (room 90/2).

... 5. Treasury press notices should follow the standard format - a specimen is attached. Notices should be typed single-sided on plain A4 white paper, with a 1½" space at the top (allowing CRU to copy onto Treasury headed paper). The date should appear in the top right corner with the announcement below. After the announcement, the following should appear:

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in collated sets with a hole punched in the top left-hand corner (1" in from the margin and 1" down from the top). It would also greatly ease CRU's operation if they could be split within the package into three bundles of 1150, 460 and 120 copies respectively.

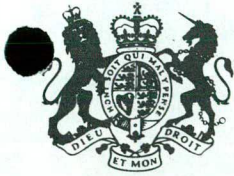
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- (a) alert us by Monday of next week if they propose to issue press notices on Budget Day;
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- (c) to send us copies by midday on Friday 13 March at latest.

8. Finally, it would be helpful if drafts of all press notices (Treasury and all other Departments) could be sent to myself, Robert Culpin in IDT and Margaret O'Mara in EB - preferably by Tuesday of next week. In looking at the drafts you should also note the need to avoid if at all possible quotations from the Budget Statement since there may be last minute changes to the text which cannot be incorporated into the Notice.



D N WALTERS



# H. M. TREASURY

Parliament Street, London SW1P 3AG, Press Office: 01-270 5238

Facsimile: 270 5244

Telex: 9413704

5 January 1987

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**PRESS OFFICE**  
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1/87

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### **Note to Editors**

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Inland Revenue

Policy Division  
Somerset House

copy no 2 of 20

EP

FROM: J H REED  
DATE: 6 MARCH 1987

FINANCIAL SECRETARY

BUDGET DAY PRESS RELEASES

I attach for your approval draft press releases for the following items for which I am responsible:

*I will have this one to PS & summarize!*

*old PS/FST  
DWK  
9/3*

- Corporation tax rates
- Corporation tax payment dates
- Interest payments between companies
- Business Expansion Scheme
- Apportionment of income of close companies
- Trade union provident benefits

*To follow on Monday!*

*JHR*

J H REED

- 
- |    |                    |             |
|----|--------------------|-------------|
| cc | PS/Chancellor      | Mr Painter  |
|    | PS/Chief Secretary | Mr McGivern |
|    | Mr Cassell         | Mr Campbell |
|    | Mr Scholar         | Mr German   |
|    | Miss O'Mara        | Mr Whitear  |
|    | Mr Culpin          | Mr Reed     |
|    | Mr Wilson          | Ms Tyrrell  |
|    | Ms Sinclair        | Mr Walker   |
|    | Mr Cropper         | Mr D A Carr |
|    |                    | PS/IR       |

DRAFT PRESS RELEASE

CORPORATION TAX RATES

The Chancellor proposes in his Budget to set in advance the rates of corporation tax for the Financial Year 1987. The main rate of corporation tax will remain unchanged at 35 per cent. There will be a reduction in the rate of corporation tax for small companies from 29 per cent to 27 per cent.

Although the rates of corporation tax for the Financial Year 1987 need not be set until the 1988 Budget, advance announcement helps companies plan ahead.

NOTES FOR EDITORS

1. The rate of corporation tax was reduced to 35 per cent for the Financial Year 1986 by the Finance Act 1984 as the last step in a phased reduction in corporation tax rates announced in the 1984 Budget.
2. The proposed reduction in the small companies rate of corporation tax will apply to profits arising in the year beginning 1 April 1987. No changes are proposed in the lower (£100,000) and upper (£500,000) limits for the marginal relief between the small company rate and the main rate of corporation tax. The marginal relief fraction will become 1/50th.

DRAFT PRESS RELEASE

CORPORATION TAX PAYMENT DATES

1. The Chancellor proposes in his Budget to standardise the rules relating to the date on which corporation tax is payable by companies, other bodies liable to corporation tax and building societies. The intention is that, after a transitional period, in all cases corporation tax will be payable 9 months after the end of the accounting period for which it is chargeable.
2. The standardisation of payment intervals will remove a distortion in favour of companies trading before 1965, and put building societies on an equal footing with each other and with companies in the financial sector.
3. It will also prevent an abuse by which a company can delay payment of tax on its profits. It can do this by taking over a company which has a longer payment interval and transferring its activities to it. This longer payment interval applies to the tax on all the profits of the company taken over, including those arising from the activities transferred to it, and this gives the company an enduring timing advantage. Standardisation of payments intervals at 9 months will prevent this abuse with its potentially very significant cost to the Exchequer.



A Companies (and other bodies)

At present the date on which corporation tax is payable by companies varies from 9 to 21 months after the end of the accounting period for which it is chargeable. The Chancellor proposes to standardise the payment interval at 9 months for all companies. The change to the new payment date will be phased in over a period of 3 years during which the payment interval will be reduced to 9 months in 3 equal steps. These transitional arrangements will begin with a company's first accounting period starting on or after Budget Day. (See Example A in notes for Editors.)

The rules will be modified where a company has an accounting period of less than 12 months.

B Building societies

For building societies with payment intervals of more than 9 months, the arrangements will be the same as for companies.

Some building societies have payment intervals of less than 9 months. For these the transitional arrangements will be different. The transition will normally be spread over a period of up to 2 years, starting with accounting periods ending in the 1989-90 tax year. For these accounting periods a society's payment interval (under Section 344(2) (a) of the Income and Corporation Taxes Act 1970) will be extended to 2 months (where it would otherwise be shorter); and for accounting periods ending

in the following tax year the interval will be extended to 9 months. (See Example B in notes for Editors.) These special arrangements are designed to ensure there is no cost to the Exchequer in any year during the transitional period from the standardisation of payment intervals.

In some cases, the existing rules for building societies require a society to pay corporation tax before the end of its accounting period. Typically, where a society has a payment interval of less than 9 months its corporation tax is due on 1 January in the tax year in which its accounting period ends. However, its accounting period might not end until later in the tax year (for example, 31 January). To take account of this there is a special provision (Section 344(2)(b) of the Income and Corporation Taxes Act 1970) which provides for a provisional payment of corporation tax, typically on 1 January, with the final liability being calculated later. Once societies have moved to a nine month payment interval, these provisions will cease to apply. But for accounting periods ending in the tax year 1989-90, the due date for the provisional payment will be postponed by two months, subject to the restriction that the postponement cannot make the payment interval longer than two months.

## NOTES FOR EDITORS

1. Companies which began trading after corporation tax was introduced in 1965 pay tax 9 months after the end of their accounting period. But companies trading before corporation tax was introduced were allowed to retain the payment interval they had under the old income and profits tax system. This could have been as long as 21 months.

2. The Chancellor said in his Budget Speech that this difference in the treatment of companies could no longer be justified and proposed that all companies should, after a transitional period, be put on the same basis for payment.

3. The special arrangements which provide for some building societies to pay corporation tax less than 9 months after the end of an accounting period date back to 1940. They were introduced as an optional relief to help societies which would, because of the effects of the war, have found it difficult to pay tax on the normal basis. But once the society had opted for this basis it could not change it subsequently.

4. The following examples show in more detail how the transitional arrangements will work.

5. Example A (Companies and other bodies)

A company has an accounting period ending 31 March and a payment interval of 21 months. Under the transitional arrangements the payment interval will be reduced as follows:-

<u>Accounting period</u>	<u>Payment interval</u>
1.4.86 to 31.3.87	21 months
1.4.87 to 31.3.88	17 months
1.4.88 to 31.3.89	13 months
1.4.89 to 31.3.90	9 months

6. The transitional arrangements for building societies are described earlier in the release.

7. Example B (Building Societies)

<u>Accounting period ending in tax year</u>	<u>Payment interval</u>		
	<u>Society A</u>	<u>Society B</u>	<u>Society C</u>
1988-89	1 month*	1 month	5 months
1989-90	1 month	2 months	5 months
1990-91	9 months	9 months	9 months

\* Society A will be required to make a provisional payment of corporation tax for 1988-89 one month before the end of its accounting period but its final liability will be calculated later. (A provisional payment will also be required in other cases if the liability has not been determined by the normal due date.)

## DRAFT PRESS RELEASE

### INTEREST PAYMENTS BETWEEN COMPANIES

1. The Chancellor proposes in his Budget to align the dates on which interest and certain other payments are treated as paid and received for tax purposes. The new rules will apply where the payment is between companies within a group or under common control and is made on or after 17 March 1987.

### DETAILS OF THE PROPOSAL

#### Background

2. It is possible for interest to be treated for tax purposes as received by the lender on a different date from that on which the borrower is treated as having paid it (for example, where interest is paid by a cheque). This gives scope for deferral of tax by companies within a group (or under common control) if the dates of payment and receipt for corporation tax purposes straddle accounting periods, ie relief for the interest paid is given in the earlier period, but there would not be tax on the interest received until the later period.

#### The new rules

3. Payments which are "charges on income" for the purposes of corporation tax (for example, yearly interest, annuities or other annual payments) and which are made on or after 17 March 1987 between companies within a group or under common control, will be treated for

corporation tax purposes as received on the same day as they are paid. But the new rule will apply only if the payments are assessable on the recipient under Case III of Schedule D. In other words, companies which would be assessed on the interest as a trading receipt will be excluded from the change.

4. There will be a similar change in the provisions concerning the collection of income tax on company payments which are not distributions (Schedule 20 to Finance Act 1972), if the payment would under the new rules be treated for corporation tax purposes as received in an earlier accounting period.

#### NOTES FOR EDITORS

1. When interest is paid by cheque it is treated for tax purposes as paid by the payer on the date the cheque is posted. But, except where the interest is chargeable to tax as a trading receipt, it is not treated as received by the payee until the cheque is presented. These dates are usually only a few days apart and normally this makes no difference for tax purposes. But it gives rise to scope for manipulation, particularly where the companies have the same accounting date and are under common control.

2. Furthermore, under the ordinary rules a company must deduct basic rate income tax from a payment of yearly interest (or other annual payments) to another person and pay this tax to the Inland Revenue quarterly (the recipient will be given credit for the tax deducted). In practice this means that there is not much advantage in exploiting the difference between

the date of payment and the date of receipt. But within groups of companies it is possible for interest to be paid in full, so there is a much greater advantage in deferring payment of tax on the interest received as well as greater opportunity to do so, because a group is under common control.

3. For the reasons set out in the previous two paragraphs, the proposed change will be confined to companies which are members of a group or under common control.

4. This change could have created an unfairness if it caused the payment to be received in an earlier accounting period than it would be treated as received under existing law. This would happen in the case of payments which are received under deduction of income tax. At present the company receives credit for the tax by set-off against the corporation tax for the accounting period in which the interest is received and under the existing rules this would be the same accounting period for which the interest is charged to tax. But the new rules could mean that the interest would be treated for the purposes of corporation tax as received in an earlier accounting period, so without a special provision, relief for the tax deducted would not be given until the corporation tax assessment for the following accounting period was made - usually a year later. The provision in para 4 above will prevent this.

DRAFT PRESS RELEASE

BUSINESS EXPANSION SCHEME

1. The Chancellor proposes in his Budget changes to the Business Expansion Scheme (BES) which will:

- reduce the bunching of investment towards the last quarter of the tax year; and
- improve the effectiveness of the Scheme for film production companies.

Bunching

2. The investor will be able to claim up to one-half of the BES relief against his income of the previous tax year subject to two conditions:

- the investment must be made in the first half of the tax year (between 6 April and 5 October inclusive); and
- the carry back will be subject to a maximum of £5,000 in respect of the total BES investments made in this period.

The option will apply to investments made after 5 April 1987 and can be exercised only when the relief is claimed. The balance of the relief will continue to be allowed for the year in which the BES investment is actually made.

Film production companies

3. Up to now, film production companies have been eligible for BES status only if they are engaged



in film production throughout the 3 year qualifying period. For shares issued from today, a company will qualify if throughout the period it is engaged either in film production or in the distribution of films produced during the period. In practice this will help a company set up to produce a single film where the production is likely to take less than three years. The company will in future be eligible for relief if it spends the remainder of the period distributing the film.

NOTE FOR EDITORS

4. The Business Expansion Scheme (BES) - introduced in the Finance Act 1983 - offers income tax relief to individuals investing up to £40,000 per year in new, full risk equity of unquoted UK trading companies with which the investor is not otherwise connected. Originally set to run until April 1987, the life of the Scheme was extended indefinitely by Finance Act 1986, when among other changes BES shares issued after 18 March 1986 were exempted from capital gains tax.

5. Investment under the Scheme has tended to be concentrated towards the end of the tax year. This has meant that companies have encountered difficulties in attracting BES finance in the first half of the tax year. The change which allows investors the option to claim part of their BES relief against income of the previous year is designed to encourage a more even spread of investment throughout the year.

6. The Scheme was extended to companies engaged in film production in the Finance Act 1984. But there has been little take-up by such companies,

mainly because investors were uncertain whether a company would be able to meet the qualifying condition that a BES company must produce films throughout the three year qualifying period. The Chancellor's proposals will make it easier for a film production company to meet the conditions for relief.

[3X]

17 March 1987

TRADE UNION PROVIDENT BENEFITS

1. The Chancellor proposes in his Budget to increase the limits for the tax relief which trade unions receive on the funds they use to pay provident benefits.

2. Provident benefits cover a wide range of payments to help members - for example, when they are sick or injured - and also include payments for the children of members who have died. To qualify for the relief the benefits must not exceed certain limits.

3. The new limits to apply from Budget Day will be:

Lump sums £3,000

Annuities £ 625

4. The limits were increased in 1980 and 1982 in line with inflation. The 1987 increases reflect inflation since 1982.

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Notes for Editors

1. This relief is given under Section 338 of the Taxes Act to registered trade unions. It exempts from tax the income and capital gains which are applied in providing provident benefits up to certain limits. The present limits, set in 1982, are - Lump sums £2,400, Annuities £500.

2. In practice the relief also applies to legal expenses in representing members at Industrial Tribunals, or in connection with an accident or injury; and to the general administrative expenses of providing provident benefits.

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Inland Revenue

Policy Division  
Somerset House

FROM: I R SPENCE

DATE: 6 MARCH 1987

PS/FINANCIAL SECRETARY

PRESS RELEASE: FSA AND UNIT TRUSTS (STARTER 157A)

1. I attach a draft press release.
2. The proposed changes are rather technical for a Budget Day press release. But it seems desirable, nevertheless, to put out a press notice. Otherwise there is a risk that the unit trust industry, and the press, might get itself excited/apprehensive, that the Budget Resolution heralds significant changes in the tax treatment of unit trusts - which are not, of course, going to occur.

I R Spence

---

cc PPS  
PS/CST  
PS/EST  
Mr Ilett  
Mr Haigh  
Mr Culpin

Mr Painter  
Mr McGivern  
Mr Davenport  
Mr Spence  
Mr Bolton  
Mr Walker  
Ms Tyrell  
PS/IR  
Mr Beighton



# INLAND REVENUE

## Press Release

INLAND REVENUE PRESS OFFICE, SOMERSET HOUSE, STRAND, LONDON WC2R 1LB  
PHONE: 01-438 6692 OR 6706

[3x]

17 March 1987

### UNIT TRUSTS

#### CONSEQUENCES OF THE FINANCIAL SERVICES ACT 1986

1. In his Budget, the Chancellor proposes to modify the tax rules which apply to authorised and unauthorised unit trusts. The main purpose of the changes is to adjust the tax rules to fit the new regime for unit trusts introduced by the Financial Services Act 1986. The substance of the present tax treatment will not be altered.

#### DETAILS OF THE PROPOSALS

2. The main modifications proposed are:

- a Tax definitions of authorised and other unit trusts will be altered to match the new Financial Services Act definitions.
- b Authorised unit trusts - technical changes will be made to ensure that the income tax rules cater for trusts which take advantage of the freedom to invest in a wider range of securities (such as commodities, financial futures and options) which will be permitted under the FSA regime.
- c Other unit trusts - ie unit trusts which are not authorised, and "gilts" unit trusts (authorised unit trusts, investing only in fixed interest securities, which get the same income tax treatment as non-authorised unit trusts). To cater for developments which may occur in this sector under the new FSA regime:
  - i a statutory income tax framework will be introduced - this will have substantially the same effect as the existing treatment, which is based on general income tax law and trust law (statutory rules are already in place for CGT and other taxes);
  - ii there will be enabling powers allowing the Treasury, by Regulation, to exclude trusts from the tax rules applying to unit trusts. This is to cater for the possibility that in future there will be some categories of trust for which this tax treatment is inappropriate, though they will fall within the FSA regime for unit trusts;

- iii in addition, the application of the Accrued Income Scheme will be modified and clarified. In particular, the 45% additional rate charge will be removed for unit trusts which take accrued interest into account when calculating the income available to unit holders.

#### NOTES FOR EDITORS

3. The Financial Services Act 1986 provides a comprehensive new regulatory system for collective investment schemes, including unit trust schemes. It is expected that this will come into force during the Autumn of 1987.

#### Authorised Unit Trusts

4. For authorised unit trusts the range of permitted investments will be widened. In addition to investing in securities, they will in future be permitted to invest in property, money market instruments and commodities.

5. The present tax treatment of authorised unit trusts will continue for trusts authorised under the new FSA regime. The main features are:

- a trustees are exempt from tax on capital gains;
- b income of the trustees is treated as if the trustees were a company (with the units treated as shares); and
- c unit holders' income from the trusts is treated as a dividend on shares.

6. The exception to the above treatment is for a special category of authorised unit trusts, whose investments are restricted to gilt-edged and other fixed interest securities. The capital gains tax treatment is the same as for other authorised unit trusts. But (by Section 60 Finance Act 1980) their income is not subject to the usual treatment for authorised unit trusts, but is subject to income tax in the same way as the income of other, non-authorised, unit trusts. This position will continue unchanged.

#### Non-authorised unit trusts

7. Unit trusts which are not authorised have no restrictions on what they can invest in, but cannot be promoted to the general public. The present position will continue when the FSA regime comes into force. But it is expected that this sector of the unit trust market will develop and become more diversified. In general the present tax treatment is that:

- a the trustees are chargeable on capital gains arising from disposals of trust property; and
- b the income of the trust is subject to basic rate tax in the hands of the trustees; and

unit holders are liable to tax on the amounts which are paid out to them or reinvested in the trust for their benefit. These amounts are treated as coming to the unit holders with basic rate income tax already paid.

8. In future this treatment will apply to all unit trust schemes within the meaning of the Financial Services Act, apart from authorised unit trusts. For this purpose, the existing income tax treatment will be set out in the Finance Bill, with the modifications in relation to the Accrued Income Scheme referred to at paragraph 2(c)(iii) above. However, there will be provision for particular trusts to be excluded by Regulation from the tax rules for unit trusts where this treatment is inappropriate.

BUDGET CONFIDENTIAL



cc PS/Chancellor  
 Miss Sinclair - FP  
 Mr Hurst - GEP2  
 Mr Walters - FP  
 Mr S Woodhall - IDT

Treasury Chambers, Parliament Street, SW1P 3AG  
 01-270 4520

*RP*

G R Russell, Esq  
 Deliverer of the Vote  
 House of Commons  
 LONDON  
 SW1

9 March 1987

*Dear Roy,*

**BUDGET PUBLICATIONS : TUESDAY 17 MARCH 1987**

As usual, I am writing to seek your co-operation in dealing with the Budget Publications and their release to Members.

2. The following documents will be published on Budget Day Tuesday 17 March 1987. Copies will be deposited with you at the Vote Office (marked with the appropriate embargo) during the course of the day and I should be grateful if you would release them when (but not before) the Chancellor sits down at the conclusion of his Budget Statement.

- |   |   |
|---|---|
| 1. Budget Resolutions   | To be delivered under seal at 3.30pm.   |
| 2. Financial Statement and Budget Report (Red Book)   | To be delivered by HMSO under seal by 3.30pm.   |
| 3. Budget Snapshot, associated Departmental Press Notices and Economic Progress Report Supplement | 1000 collated sets to be delivered by my office between 3.00 and 3.30pm. I will let you know how many individual Press Notices there will be nearer the time. |
| 4. Chief Secretary's Summary and Guide to the Estimates   | To be delivered by HMSO under seal by 3.30pm.   |

3. I am copying this letter to Michael Wheeler-Booth, Printed Paper Office, House of Lords, who should receive copies of all these documents (circa 150) except the Budget Resolutions, and I should be grateful if he would institute similar arrangements for their release.

*Yours ever,*

**B O DYER**  
 Parliamentary Clerk





Inland Revenue

Policy Division  
FROM: Somerset House  
DATE: 10 MARCH 1987

18

FINANCIAL SECRETARY  
BUDGET DAY PRESS RELEASES

✓

I now attach for your approval the outstanding draft press release

Apportionment of income etc of close companies ("May" & "shall")  
This includes the Statement of Practice on the guidelines on apportionment which you have already seen.

*J H Reed*

J H REED

- cc PS/Chancellor
- PS/Chief Secretary
- Sir P Middleton
- Mr Cassell
- Mr Scholar
- Miss O'Mara
- Mr Culpin
- Ms Sinclair
- Mr Cropper

- Mr Painter
- Mr McGivern
- Mr Campbell
- Mr Gordon
- Mr Bates
- Mr Reed
- Ms Tyrrell
- Mr Huffer
- Mr Walker
- PS/IR

DRAFT PRESS RELEASE

[3x]

17 March 1987

APPORTIONMENT OF INCOME ETC  
OF CLOSE COMPANIES

Apportionment of income

1. The Chancellor proposes in his Budget to remove the Inspector's discretion to apportion income of a close company to its shareholders. Until recently the Inland Revenue had believed that the existing legislation obliged the Inspector to make apportionments except where the amount of tax involved was small. However, the Court of Appeal said in a case last year that the Inspector had a wide discretion whether or not to make an apportionment. The proposed change means that the Inspector will be required to apportion except where the amounts involved are small.

Covenanted payments to charity (and other annual payments)

2. An Inspector may also apportion covenanted payments to a charity (and other annual payments) made by a close company. The Court of Appeal held that the Inspector had a discretion whether or not to make such an apportionment. Here too the Chancellor proposes that the Inspector will be obliged to make an apportionment except where the amount of tax involved is small. However, from 1986/87 onwards (following changes made in last year's Finance Act), the apportionment rules do not in practice affect payments under covenants by close companies to charities except where

the charity itself fails to meet the conditions for tax exemption on the income.

Other areas affected

3. Certain associated discretionary powers in the apportionment legislation will be similarly dealt with.

Effective date of the change

4. The change will apply to accounting periods beginning on or after Budget Day. For earlier periods Inspectors will exercise their discretion with the assistance of guidelines which have been published today as an Inland Revenue Statement of Practice. (SP /87, a copy of which is attached).

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Notes for Editors

1. Apportionment is a process by which the income of a close company can be attributed to its participators (broadly, its shareholders) who are then charged at the higher rates of income tax on the amount apportioned to them. The purpose of this apportionment is to prevent the build up of income in a close company free of the higher rates of income tax. Since 1980 apportionment has not applied to trading income. The detailed apportionment rules are set out in Schedule 16 Finance Act 1972.

2. The apportionment rules also apply to covenanted payments made by close companies

to charity. Until recently this was necessary in view of the £10,000 limit on higher rate relief for such payments made by individuals. In effect, covenanted payments apportioned to the shareholder counted towards the taxpayer's £10,000 limit along with any covenanted payments he or she made to charities directly. The Finance Act 1986 changes removed the £10,000 limit.

Restriction of higher rate tax relief for individuals now only applies if the receiving charity fails to meet the conditions for tax exemption on its income. Where this restriction applies, apportionment is still needed to maintain parity of treatment between participators who use their close company to make covenanted payments to charity and individuals who make covenanted payments direct.

3. The case in which the Court of Appeal held that the legislation gave the Inspector a wide-ranging discretion concerned covenanted payments to charities made by Lansing Bagnall Ltd.



# Statement of Practice

SP /  
Date 17 March 1987

INLAND REVENUE, SOMERSET HOUSE, LONDON

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FURTHER COPIES OF THIS STATEMENT MAY BE OBTAINED BY WRITING TO (PLEASE ENCLOSE A STAMPED ADDRESSED ENVELOPE) OR BY CALLING PERSONALLY AT THE PUBLIC ENQUIRY ROOM, WEST WING SOMERSET HOUSE, STRAND, LONDON WC2R 1LB

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CLOSE COMPANY APPORTIONMENT  
GUIDELINES TO THE EXERCISE OF DISCRETION WITHIN PARAGRAPHS 1  
AND 3 SCHEDULE 16 FA 1972

1. It was established in Lansing Bagnall that the use of "may" in Paragraphs 1 and 3 Schedule 16 conferred on the Inspector a discretion as to whether to apportion the income or annual payments of a close company.
2. Inspectors may experience difficulty in deciding how these discretions may be reasonably and properly exercised. These notes are intended to provide assistance and to endeavour to ensure, so far as it is possible, that there is consistency of treatment. They are, however, only guidelines. The discretions in Paragraphs 2 and 3 are conferred on the Inspector personally and he cannot be directed how to exercise them.
3. It will provide a context for the exercise of these discretions if the purpose of Paragraph 1 and Paragraph 3 is considered. The purpose of Paragraph 1 was described by Lord Roskill in the House of Lords in Wilson and Garden v CIR 56 TC 279 at page 291 as:

"to prevent the accumulation by close companies of undistributed profits which are in truth income and thereby the conversion of what is in truth income into tax free capital."

The purpose of Paragraph 3 is considered to be aptly described in the judgement of Stamp LJ in C & J Clark Ltd v CIR 50 TC 103 at page 114 where he said:

"you could not so organise your affairs through the medium of a company so as to escape the ambit of surtax on payments under a covenant made by the company to charity which would not be allowable as deductions in computing your income for the purposes of surtax if you yourself had made the payments under covenant."

Parker LJ expressed himself similarly in relation to the paragraph in Lansing Bagnall. The tenor of what he said is stated in Paragraph 19 below.

4. In the case of both Paragraph 1 and 3, it is considered that the exercise of the relevant discretion is subject to the duty of fairness to and between taxpayers discussed in IRC v National Federation of Self Employed and Small Business Ltd [1982] AC 617. It was accepted by Parker LJ in Lansing Bagnall

this duty applied in relation to the discretion conferred by Paragraph 3 and it is thought that it must equally apply in relation to that conferred by Paragraph 1.

5. The Inspector may think that he should not exercise the powers conferred in Paragraphs 1 and 3 where it appears that the amounts involved are not worth pursuit.

6. The discretions conferred by Paragraph 1 and 3 are wider than the discretion derived from the Board's care and management powers under Section 1 TMA 1970 which is solely concerned with good management. Nevertheless it may be considered appropriate to take into account good management in the exercise of the discretions under Paragraph 1 and 3. It would not be good management to pursue trivial amounts or even substantial amounts if the costs of collection were going to be disproportionately high and collection itself uncertain.

7. As indicated above, the more general discretions in Paragraph 1 and 3 would allow the Inspector to take a broader view of what amounts were worthwhile than the dictates of good management. There might be circumstances in which the Inspector might decide, particularly bearing in mind the elaborate procedures of apportionment, that the amounts involved were not large enough to justify proceeding further.

8. Another matter which might be taken into account by an Inspector in the exercise of his powers in Paragraph 1 and 3 is the fact that apportionment was not considered in past years because of Revenue oversight. Here again the Inspector may wish to have regard also to the duty of fairness to other taxpayers, for example, participators in companies which had their income apportioned each year. The amounts involved may also be a material consideration.

9. The Inspector might also decide not to apportion where there were special factors in the particular case. An example of this might be where very late in its accounting period an open company became close. Another, perhaps, is where it had been thought the company was open and it was found to be close only because of the very wide rules of association in Section 303(3) ICTA 1970.

10. In Lansing Bagnall it was held that an Inspector is bound to consider any representations made on behalf of the company as to why the Inspector should not apportion in its case. It would be for the Inspector to decide what weight, if any, should be given to such representations. It is not felt that the Inspector is bound to invite representations but they may well be made when either clearance is being sought or the accounts are submitted.

11. In the event of uncertainty as to the proper exercise of discretion in Paragraph 1 the Inspector may seek the advice of TD (Close Companies).

12. There are other paragraphs in Schedule 16 which confer on the Inspector discretionary powers for example Paragraph 1(4), Paragraph 2 and Paragraph 4. The discretion conferred by these paragraphs will be exercised at the Apportionment Unit.

SUPPLEMENTARY GUIDELINES ON THE APPORTIONMENT OF ANNUAL PAYMENTS FOR PARAGRAPH 3 SCHEDULE 16 FA 1972

13. The Board has decided that all cases arising under Paragraph 3 Schedule 16 FA 1972 will be dealt with by the Close Companies Apportionment Unit.
14. There are certain factors and circumstances which have no relevance for Paragraph 1 to which the Court of Appeal in the Lansing Bagnall case considered an Inspector might have regard when determining whether to make an apportionment in respect of annual payments within Paragraph 3.
15. One such circumstance is where the company covenants to particular charities because its business and reputation would suffer if it did not do so. In such a case the participators themselves might wholly disapprove of the particular charity and never dream of contributing to it themselves. The Inspector might feel that in these or broadly similar circumstances there is a strong case for not making an apportionment, assuming that he has not already concluded that such payments would have been made wholly and exclusively for the purposes of the company's trade and so excluded from apportionment by Paragraph 3(2).
16. Another circumstance is where an open company which for good business reasons has been making covenanted payments becomes close. This was considered by Parker LJ to be a particularly relevant matter.
17. Another is that no apportionment was considered in respect of covenanted payments in earlier years. This is essentially the same point as Revenue oversight referred to in the separate guidelines for Paragraph 1 and 3 but with covenanted payments Revenue oversight might itself have influenced the amounts covenanted in later years. Again, the actual amounts involved may well be thought to be a material consideration.
18. Finally, it was submitted to the Court that it would be relevant to compare the nature and amount of the covenanted payments made by the close company with those made by open companies of similar size. There are practical difficulties in making such comparisons. The comparison should presumably be made with a reasonable number of comparable open companies. Conceivably the type of business carried on and the circumstances in which covenanted payments were made would also be relevant considerations.
19. Whilst it is right that the Inspector should have regard to these factors to which the Court has drawn attention, the actual weight, if any, he attaches to them is wholly a matter for the Inspector. The guiding principles should still be to be fair as between taxpayers and to the individual taxpayers concerned on the basis that the object of the legislation is not to penalise the participators in close companies but to see that they do not, by reason of their position as such, obtain an unfair advantage over others.

cc Mr Scholar  
Miss O'Mara  
Miss Sinclair  
Miss Evans  
Mr Porteous  
Mr Woodall  
Mr Walters  
~~Mr Fray~~



Treasury Chambers, Parliament Street, SW1P 3AG  
01-270 3000

4 March 1987

Sarah Straight  
Private Secretary to the  
Secretary of State for Transport

Dear Sarah,

**BUDGET DAY PRESS NOTICES**

As you will be aware, the Chancellor will be making his Budget Statement on Tuesday 17 March. In handling press notices, we propose to follow the arrangements of previous years under which all press notices, including those issued by Departments other than the Chancellor's, are collated by the Treasury and issued both to the press and the House.

Your Department and others will no doubt already be considering what press notices you wish to issue on Budget Day. I would be grateful to know your intentions by close on Monday 9 March and the subject matter of any notices which you will be producing. It would also be helpful if you could let Doug Walters here (270-5179) have by then a contact point (name and telephone number) for any subsequent enquiry on each. All press notices should, of course, be cleared in draft with the appropriate division in the Treasury as early as possible.

As you will appreciate, the Treasury will be photocopying and collating a large volume of material over the weekend before the Budget. As a consequence, I am afraid that we must ask for copies of press notices to be sent to us by no later than midday on Friday 13 March and preferably beforehand. We will require 1730 copies in all. These should be sent to our Committee Section split within the package into three sets numbering 1150, 460 and 120 copies respectively. If you are issuing more than one press notice, it would ease our handling problems considerably if they could be packaged separately.

I am sending a copy of this letter to the Private Secretaries of all other Cabinet Ministers, David Norgrove (No.10), Trevor Woolley (Cabinet Office) and all Chief Press Officers.

Yours,  
Cathy

CATHY RYDING  
Assistant Private Secretary



**BUDGET CONFIDENTIAL**



FROM: A W KUCZYS

DATE: 9 MARCH 1987

PS/FINANCIAL SECRETARY

cc PS/Chief Secretary  
PS/Economic Secretary  
PS/Minister of State  
Mr Cassell  
Mr Monck  
Mr Scholar  
Miss Sinclair  
Ms Evans  
Mr Cropper  
Mr Graham - Parl.  
Counsel  
Miss Rhodes - IR  
PS/IR

**TAX RELIEF FOR TRAINING**

The Chancellor has seen Miss Rhodes' note of 6 March, and ~~the~~ draft Budget Day Press Release. He wondered whether the Press Release should say that we intended to legislate the existing extra statutory concession. Miss Rhodes has reminded me, however, that Ministers decided that this should be done "under pressure" at Committee stage and on this basis it would not be appropriate to go further than the Press Release as presently drafted.

A handwritten signature in black ink, appearing to be "AWK".

A W KUCZYS

## BUDGET SECRET



Copy No. 12 of 12.

FROM: A W KUCZYS

DATE: 9 MARCH 1987

PS/FINANCIAL SECRETARY

cc PS/Chief Secretary  
PS/Economic Secretary  
PS/Minister of State  
Mr Scholar  
Miss Sinclair  
Mr Cropper  
Mr Cayley - IR  
PS/IR

**CAPITAL GAINS: BUDGET DAY PRESS RELEASES**

The Chancellor has seen Mr Cayley's minute of 27 February, and Miss Sinclair's of 5 March. He agrees with Miss Sinclair's suggestion. He also agrees with a suggestion which Andrew Hudson has discussed with the Revenue, that the Press Release on corporation tax should explicitly make the point that the rate of tax on gains will go down for small companies.

A handwritten signature in black ink, appearing to be 'A W K'.

A W KUCZYS

## BUDGET CONFIDENTIAL



FROM: A W KUCZYS  
DATE: 9 MARCH 1987

PS/FINANCIAL SECRETARY

cc PS/Chief Secretary  
PS/Economic Secretary  
PS/Minister of State  
Mr Cassell  
Mr Scholar  
Miss O'Mara  
Miss Sinclair  
Mr Cropper  
Mr Houghton - IR  
PS/IR

**BUDGET PRESS RELEASE: INHERITANCE TAX**

The Chancellor has seen Mr Houghton's minute of 6 March. He thinks Mr Houghton is clearly right that all the IHT changes should be covered in one press release.

A handwritten signature in black ink, appearing to be 'A W K'.

A W KUCZYS



COPY NO 14 OF 15 COPIES

FROM: CATHY RYDING

DATE: 9 March 1987

PS/MINISTER OF STATE

cc PS/Chief Secretary

Mr Scholar

Miss Sinclair

Miss O'Mara

Mr Culpin

Mr Romanski

Mr Walters

PS/C&amp;E

Mr Knox - C&amp;E

Mr Jefferson Smith - C&amp;E

Mr Howard - C&amp;E

Mr Bone - C&amp;E

**BUDGET PRESS NOTICES**

The Chancellor has seen Mr Wilmott's minute to the Minister of State of 6 March attaching draft Budget press notices, and your minute to me of 9 March detailing the Minister of State's comments.

2. The Chancellor had a few additional changes, which are detailed below, but basically he agreed with the Minister of State's suggestions. However, on the Minister's comments on VAT: imput tax: original and scope of the right to deduct (17/87) the Chancellor thinks that it is essential (a) that the heading is made much clearer and (b) that any special arrangements (whether for brewers or anyone else) are referred to in the Press Notice.

3. The Chancellor had the following additional detailed comments on the Press Notices:-

VAT: Small Business Review

Paragraph 1, line 2: Replace "News" with "Press".



Paragraph 6, line 5: Redraft to read "a year instead of the present four. They would make 9 equal payments on account,".

Paragraph 7, line 1: The Minister suggested inserting "also," after "scheme", but the Chancellor would prefer "too".

Paragraph 10 on Default interest and penalty for serious misdeclaration: Delete.

Paragraph 12, indent 5: The Chancellor suggests redrafting as follows:-

"turnover before deregistration will not render deregistered businesses liable to registration."

VAT: Registration of deductible input tax: etc (17/87) - (b). The Chancellor thinks that the Press Notice should spell out what is *Zero Group 15 Item 2 of the 1983 Vat Act* .

CR

CATHY RYDING



COPY NO 8 OF 9 COPIES

FROM: CATHY RYDING

DATE: 9 March 1987

PS/MINISTER OF STATE

cc Mr Scholar  
Miss O'Mara  
Mr Culpin  
Miss Sinclair  
Mr Romanski  
Mr Walters**VED BUDGET CHANGES: PRESS NOTICES**

The Chancellor has seen Mr Romanski's minute to the Minister of State of 6 March attaching a draft Press Notice. The Chancellor was content with the Press Notice as amended by the Minister of State.

2. The Chancellor has noted the third paragraph of the Press Notice concerning the increases in the rates for farmers' goods vehicles and he has asked whether MAFF know about this. He thinks they should do, given the 1985 announcements.

A handwritten signature, likely 'CR', in dark ink.

CATHY RYDING



SCOTTISH OFFICE  
WHITEHALL, LONDON SW1A 2AU

*RD*

Ms Cathy Ryding  
Assistant Private Secretary to the  
Chancellor of the Exchequer  
Treasury Chambers  
Parliament Street  
LONDON  
SW1P 3AG

10 March 87

*Dear Cathy*

**BUDGET DAY PRESS NOTICES**

Thank you for your letter of 4 March.

As in previous years our Budget Day press publicity will consist of a statement from my Secretary of State responding to the Budget Speech. Accordingly, we will not be preparing it in advance and will not be sending copies to the Treasury this week.

*Yours ever*

*Robert Gordon*

ROBERT GORDON  
Private Secretary

CH/EXCHEQUER	
REC.	10 MAR 1987 ✓ 10/3
ACTION	MR WALTERS
COPIES TO	MR SCHOLAK MISS O'MARA MISS SINCLAIR MISS EVANS MR PORTEOUS MR WOODALL

BUDGET CONFIDENTIAL



FROM: G WESTHEAD  
 DATE: 10 March 1987

PPS  
 [Handwritten initials]

PS/FINANCIAL SECRETARY

cc: PS/Chancellor  
 PS/Chief Secretary  
 Mr Cassell  
 Mr Scholar  
 Miss O'Mara  
 Mr Culpin  
 Mr Wilson  
 Miss Sinclair  
 Mr Cropper  
 Mr Reed - IR  
 PS/IR

## BUDGET DAY PRESS RELEASES: TRADE UNION PROVIDENT BENEFITS

Mr Reed's minute of 6 March to the Financial Secretary attached six draft press releases.

2. The Economic Secretary has one comment on the press release for Trade Union provident benefits. He suggests replacing the first paragraph of the release with the following:

"The Chancellor proposes in his Budget to increase the tax-exempt limits relating to provident benefits provided by Trade Unions for their members."

3. I gather this is acceptable to the Inland Revenue.

4. The Economic Secretary is otherwise content with the press release.

*Guy Westhead*

GUY WESTHEAD  
 Assistant Private Secretary





FROM: A W KUCZYS  
DATE: 10 March 1987

PS/FINANCIAL SECRETARY

cc PS/Chief Secretary  
PS/Economic Secretary  
PS/Minister of State  
Sir P Middleton  
Mr Cassell  
Mr Scholar  
Miss Sinclair  
Ms Noble  
Mr Culpin  
Mr Cropper  
Mr Ross Goobey  
Mr Tyrie

**PENSIONS: BUDGET DAY PRESS RELEASE**

The Chancellor has seen Mr Munro's minute of 6 March. He would be grateful if the Financial Secretary could scrutinise this very carefully.

2. He wonders whether the start dates for personal pensions and AVCs should not be given here? That, of course, will depend on whether or not the Chancellor announces the latter in his Budget Speech, and I have minuted on that point separately.

  
A W KUCZYS

No 1 of 7

FROM: MISS M O'MARA

DATE: 11 MARCH 1987

pm

CHANCELLOR OF THE EXCHEQUER

cc Mr Culpin  
Mr Hudson  
Mr Pickering  
A/55

## BUDGET PRESENTATION

I believe Mr Allan is trying to arrange a meeting after Cabinet tomorrow to discuss some of the more difficult presentational Budget issues, in advance of your larger meeting in the afternoon. We thought you might find it helpful if we were to identify some of the trickier problems which we have noticed as we have been editing the Budget Brief. We do not yet know the outcome of your meeting this afternoon on the PSBR numbers. This could, of course, change the briefing quite radically.

2. The brief on Budget strategy (A1) picks up most of the awkward issues in the defensive section. As we see them, they are:

(i) Fiscal policy

We think we shall need something on the fiscal/monetary mix, to answer the charge that we are using a tight fiscal policy to disguise a slack monetary policy.

- We need something fairly convincing on why we seem to have settled for 1 per cent as the objective for the PSBR/GDP ratio.

- No doubt the TCSC and others will want to refer to the 1987-88 PSFD. We shall certainly not make any positive use of it ourselves and will try to steer attention to the PSBR excluding privatisation proceeds, as necessary. But do you want us to exclude a PSFD figure from the briefing altogether, as last year? Presumably it is now rather less sensitive.

|| Blame it  
on Mandarins

ie your  
judgement  
not enough

heat gone  
out of this?

Finally we will need to cover the criticism that it is irresponsible to cut taxes when the current account is forecast to be in deficit but this should not be too hard to handle.

*Again, done all the mandarins wanted!*

We have tried to answer some of these points in Brief C4.

(ii) Tax policy

*WJ 25/6*

- The tax burden needs some careful handling. The figures are in Brief CC3.

- We should not have too much trouble with the income tax package. You will see there is plenty of defensive material in Brief D1.

- Excise duties (G1) are more of a problem, as you have recognised. We do not as yet have a very convincing line on the positive rationale for the standstill. We have plenty we can say defensively.

- We also need something fairly convincing on transferable allowances. I believe FP may be consulting you separately on this.

(iii) The forecast: Attention will focus on inflation and the balance of payments.

- We should be able to handle inflation and we have plenty of references to price stability as the Government's ultimate objective scattered around the brief.

- On the balance of payments, do you want us to make anything of the line that the annualised 1988H1 deficit is lower than that for 1987, which is in turn lower than 1986H2 annualised? (This is all covered in Brief BB4)

3. Finally, there is the problem of the 1986 MTFs fiscal adjustment for 1987-88. The figure was actually £2.3 billion. In the 1986 MTFs we rounded to the nearest £1 billion, so we showed a figure of £2 billion. In doing the simplified Budget arithmetic, we want to round to the nearest  $\frac{1}{2}$  billion, so that we can show the cost of the Budget package as £2½ billion. This is causing us a few presentational problems but we are aiming to base our figures on a £2 billion fiscal adjustment nonetheless and to make up the difference in rounding elsewhere. However, at the moment you will see that the numbers do not add up.

*mom*

Philip Stephens looks back over eight years of Conservative Budget-making

# A lucky Lawson hits the jackpot

FOR Mr Nigel Lawson, the Chancellor, it is—as one insider in the Budget-making process puts it—“as if all his Christmases and birthdays have come at once.”

In next Tuesday's Budget the Chancellor at last has the chance to redeem a clutch of the remaining IOUs in the Conservatives' 1979 and 1983 manifestos.

After three sometimes ingenious but hardly dramatic Budgets, he will be able to put money in the voters' pockets, and to put the finishing touches to the Government's economic platform for a third term.

With the odds apparently shortening on an early election, the timing could not have been better. The likely contents of the Budget have been well-rehearsed, barring, of course what has become the mandatory surprise. Officials do not blink at the suggestions that Mr Lawson may have £5bn to divide between tax cuts and a lower borrowing target.

Depending on how far he leans towards prudence, that means 2p, 3p, or even 4p off the 29p basic rate of income tax. The promise in 1979 of a starting rate of 25p is no longer a pipedream.

Increases in the threshold for mortgage interest relief, cuts in the top rates of tax, a generous approach to the duties on alcohol and petrol, and cuts in capital gains tax are also within his grasp.

And whatever their public pronouncements, the Labour Party's economic experts must be feeling distinctly uneasy at the prospect of going into the election with a promise to take it all back.

Mr Lawson, who has come to relish Budget speeches in much the same way as Mr Norman Tebbit delights in political

scraps, also has the economic indicators on his side.

Living standards are rising faster than at any time for eight years. Output growth is accelerating, inflation is below 5 per cent, exports are benefiting from last year's hefty devaluation of the pound, interest rates are falling, and public sector borrowing is undershooting its target. The slogan will be the seventh successive year of economic growth.

It will be possible to cavil at some of the claims. Mr Lawson's rhetoric on inflation has always run far ahead of his achievements. This year prices look set to rise as fast as in 1983 despite the halving of the oil price. Economic growth over the last few years has been an irrelevance to the more than 3m unemployed.

Serious economists are worried about the medium-term implications of the massive deterioration in Britain's manufactured trade. Industry's recent competitive gains could still be frittered away in higher profits and earnings rather than increased output.

But even if they lambast his policies, Mr Lawson's political opponents and critics can hardly dispute his extraordinary good fortune.

That, of course, is not the way the Chancellor will present it. For him the tax giveaway represents the fruits of sound financial management during

	1978-79	1986-87	
Basic Income Tax	33%	29%	
Top Rate Income Tax	83%	60%	
Value Added Tax	8%	15%	
All Taxes as % of GDP	33.8%	37.9%	
<b>TAX BURDEN ON SINGLE PERSONS</b>			
Income tax and National Insurance as % of earnings			
At half average earnings	23.5%	25.8%	
At average earnings	31.5%	31.9%	
At 5 times average earnings	52.2%	45.6%	
At 10 times average earnings	67.5%	52.8%	
<b>EXCISE DUTIES</b>			
	1979	1986	Change in real terms
A pint of beer	7.7p	18.6p	+25%
A bottle of wine	50.0p	68.6p	-28.9%
A bottle of spirits	£3.13p	£4.73p	-22.4%
20 cigarettes	34.5p	93p	+76.3%
A gallon of petrol	30p	88.1p	+52.2%
Vehicle	£50	£100	3.7%
All duties			+40%

## After his promising start in 1984, Mr Lawson has seen many of his ambitions fall victim to the political antennae of the Prime Minister

eight years of Conservative rule. The strength of the economy reflects the result of adherence to the Medium Term Financial Strategy which Mr Lawson himself drafted as a junior Treasury minister in 1980.

There are one or two presentational problems. Mr Lawson has only in the last two months appreciated just how large the so-called "fiscal adjustment" will be. In December he told the House of Commons that he doubted whether he would be able significantly to reduce taxes. He had already, he thought, given the money away when he decided to abandon attempts to hold public spending constant in real terms and to add £10bn to the totals over the next two years.

Since then the picture has been transformed by the extraordinary buoyancy of receipts from corporation tax and value-added tax. As one official puts it: "Since we did not know until January that there was so much money coming in

we can hardly claim it was all good judgment."

That said, Mr Lawson finally is in a position to deliver a hefty first instalment of the tax cuts which the Government has always promised but, as yet, failed to deliver.

Sir Geoffrey Howe, the then Chancellor, did cut the basic rate of tax from 33p to 30p (it was lowered to 29p last year) and the top rate from 83p to 60p in his first Budget in 1979. But that was paid for by almost doubling the rate of VAT to 15 per cent.

In his second and third Budgets in 1980 and 1981 taxes were effectively raised by around £8½bn before being reduced again by nearly £5bn in the following two years.

Mr Lawson's record is slightly better — taxes have come down in each of his three Budgets, but hardly spectacularly. Some taxes have been abolished alto-

CONT... 1/1



ES

Ch

Clive Corlett says this is very much in Littlewoods' hands: before approval can be given, Littlewoods have to appoint a manager and set up a system. But Littlewoods & the Revenue are keeping closely in touch; and once received their application will be processed very quickly.

Clive's guess, however, is that we are a couple of months off approval.

DK  
12/3

Pity.



*When are  
Lithwoods  
got approved?*

**INLAND  
REVENUE**

**Press Release**

INLAND REVENUE PRESS OFFICE, SOMERSET HOUSE, STRAND, LONDON WC2R 1LB  
PHONE: 01-438 6692 OR 6706

[3x]

11 March 1987

**PAYROLL GIVING SCHEME FOR CHARITIES  
APPROVAL OF AGENCY CHARITIES**

The Inland Revenue have today announced that the following charities have been approved to act as agencies for the payroll giving scheme which starts on 6 April 1987:

- DR BARNARDO'S 01 550 8822  
TANNERS LANE  
BARKINGSIDE  
ILFORD  
ESSEX IG6 1QG
- BRISTAR FOUNDATION  
(the Foundation intends  
to act for British Sugar plc  
employees only)  
BRITISH SUGAR PLC  
PO BOX 26  
OUNDL ROAD  
PETERBOROUGH  
PE2 9QU
- CHARITIES AID 0732 358234  
FOUNDATION  
(GIVE AS YOU EARN)  
STERLING HOUSE  
150/152 HIGH STREET  
TONBRIDGE  
KENT TN9 1BB
- SCOTTISH COUNCIL 031 556 3882  
FOR VOLUNTARY  
ORGANISATIONS  
18/19 CLAREMONT CRESCENT  
EDINBURGH EH7 4QD

- UNITED WAY PAYROLL GIVING SERVICE  
PO BOX 14  
8 NELSON ROAD  
EDGE HILL  
LIVERPOOL L69 7AA 051 709 8252
- WALES COUNCIL FOR VOLUNTARY ACTION  
LLYS IFOR  
CRESCENT ROAD  
CAERFFILI CF8 1XL 0222 869224
- NORTHERN IRELAND COUNCIL FOR VOLUNTARY ACTION  
2 ANNADALE AVENUE  
BELFAST  
BT7 3JR 0232 640011
- FEDERATION OF MASTER BUILDERS  
(SOUTH WEST REGION)  
CHARITABLE FUND  
CHURCHTOWN  
PETER TAVY  
TAVISTOCK  
DEVON  
PL19 2NN 0822 4679  
(MAJOR W L S LANE)

Employers who are interested in setting up a scheme may wish to contact any of those listed (apart from Bristar Foundation).

Several other applications from bodies seeking approval are being considered by the Inland Revenue. Further announcements about these and any future applications will be made from time to time.

---

/NOTES FOR EDITORS

## NOTES FOR EDITORS

The payroll giving scheme was announced by the Chancellor of the Exchequer in his 1986 Budget.

Through the scheme, employees will be able to make donations to charity of up to £120 a year and get tax relief on them. The donations will be deducted from their wages or salary and passed through the agencies to the charities of their choice.

Briefly the scheme will operate as follows -

- The Inland Revenue will approve agencies to run the scheme.
- Employers who wish to set up a scheme for their employees will enter into a contract with an approved agency.
- Employees who wish to participate in the schemes will authorise their employer to deduct the gifts from their pay and will nominate the charities which they wish to receive their gifts.
- The employer will give his employees tax relief under a "net pay" arrangement, as already happens for superannuation contributions - ie the gifts will be deducted from pay before calculating the PAYE tax due.
- The employer will pay the gifts over to the agency.
- The agency will act as a clearing house, distributing the gifts to the individual charities which have been nominated by the employees.

Charities wishing to be approved as agencies must satisfy the Inland Revenue that they can meet all the requirements laid down in regulations, which were laid before Parliament on 16 December 1986.

At the same time the Chancellor announced that he proposed to introduce legislation in this year's Finance Bill to increase the limit on donations which can qualify for tax relief from £100 to £120 a year. He also announced that the Government, as an employer, will participate in the scheme.



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COPY NO 1 OF 16 COPIES

FROM: D N WALTERS  
DATE: 11 MARCH 1987

*M/S 11/3*  
Chancellor's copy and Sir P  
Middleton's copy only

1. MR SCHOLAR
2. CHANCELLOR OF THE EXCHEQUER

We (Mr Kelly and I) see  
no need on operational

- cc
- Chief Secretary
  - Financial Secretary
  - Economic Secretary
  - Minister of State
  - Sir Peter Middleton
  - Mr Culpin
  - Miss O'Mara
  - Miss Sinclair
  - PS/IR
  - Mr Walker - IR
  - PS/C&E
  - Mr Bone - C&E

grounds for a Press Notice  
in Exchange Control. ✓✓

*M/S 11/3*

*Ch*  
Case for having most  
interesting one of each  
bated on the top of  
bundle, rather than all  
subject brief together  
AA

**ORDER OF BUDGET DAY PRESS NOTICES**

*Ann Nelson (6 spec)  
but PSR discuss with  
R. Culpin.*

- ... I attach a full list of the press notices which it is planned to issue on Budget Day.
- 2. For the Treasury only two notices are proposed this year. The first is the customary one on Main Supply Estimates and the Summary and Guide while the second deals with the Budget and Small Businesses. You have already agreed that there is no need this year for a notice covering Government revenues from the North Sea.
- 3. As last year, Inland Revenue and Customs have a series of notices covering all their tax changes in the Budget. These have been submitted individually to Treasury Ministers for approval.
- 4. The Department of National Savings are not intending a Budget Day press notice. The position of the Bank is still unresolved. There may still be a need to issue a notice on gilt auctions. MG division will be submitting a note shortly.
- 5. As to other Departments, Transport plan to issue two press notices. The first covers VED rates and the second enforcement of VED. Both have been approved by Treasury Ministers. No other Department has advised us of an intention to issue a notice.
- ... 6. The attached list of press notices is in the order in which we currently propose to collate them. This allows notices in the same <sup>tax</sup> area to be packaged together leading off with income tax as the most interesting to the majority of recipients. This is also consistent with the requirements of those on the Inland Revenue's mailing list (13,000 copies covering eg tax

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SECRET

B.L.O.

SECRET

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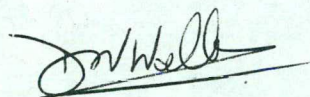
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practitioners, tax offices and freelance journalists). There are, of course, a number of alternative options allowing collation to follow more closely the line of priority areas of the Budget. For example the first three groups of the Inland Revenue's notices could be amalgamated under the general heading "taxes and personal incomes" with the income tax notices followed immediately by those on PRP and the Pensions reform package.

7. I would be grateful to know if you are content with the list of press notices and for your preference for the order of collation.



D N WALTERS

**SECRET**

**B.L.O.**

**SECRET**

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**NOT TO BE COPIED****BUDGET DAY PRESS NOTICES****INLAND REVENUE****Taxes and Personal Income**

- ① The Budget 1987: Income tax  
Income Tax and Pay As You Earn: changes for 1987-88  
Reduction in the Basic Rate of Income Tax  
Mortgage Interest Relief  
Tax relief for work training provided by an employer  
Business Expansion Scheme (Business Enterprise)  
Income Tax and VAT: Benefits in Kind: Car and Car Scale Charges 1988-89

**Profit Related Pay**

- ② New Income Tax relief for Profit Related Pay

**Pensions/Savings**

- ③ Tax reform package for Pensions  
Friendly Societies: revised tax exempt limit  
Trade Union Provident Benefits  
Approved Employee Share Schemes  
Unapproved share schemes: review (with Consultative Document)

**TREASURY**

- ④ Budget and small businesses

**INLAND REVENUE****Taxes and Business**

Corporation Tax rates  
Corporation Tax on the capital gains of companies  
Corporation Tax payment dates  
Pay and File  
Improving the PAYE and Subcontractor Deduction Scheme  
Oil Taxation  
Foreign Partnerships  
Banks Overseas Lending: double taxation relief  
Controlled Foreign Companies  
Lloyd's: Reinsurance to Close  
Interest payments between companies  
Apportionment of income etc in close companies  
Capital Allowances for Assured Tenancies  
Unit Trusts: consequential of the Financial Services Act 1986  
Stock Exchanges: consequences of the Financial Services Act 1986

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Capital Taxes

- ⑤ Inheritance Tax  
Capital Gains Tax: exempt threshold; retirement relief  
Capital Gains Tax: over the counter options and futures

CUSTOMS AND EXCISE

- ⑥ VAT: Small business review  
VAT: Restriction of deductible input tax and related matters  
VAT on services imported by unregistered businesses  
VAT registration and deregistration: changes in the limits for registration and cancellation of registration  
VAT: extension of certain VAT reliefs for charities and eligible bodies  
VAT: VAT margin scheme for tour operators  
Hydrocarbon oil: reduction in rate of excise duty on unleaded petrol  
⑦ Betting and gaming duties

DEPARTMENT OF TRANSPORT

Budget: Vehicle Excise Duty  
1987 Budget: Enforcement of Vehicle Excise Duty

TREASURY

Main Supply Estimates 1987-88 and the Summary and Guide

BANK (if issued)

Gilt auctions

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FROM: CATHY RYDING  
DATE: 11 March 1987

PS/MINISTER OF STATE

cc Mr Scholar  
Mr Culpin  
Miss O'Mara  
Miss Sinclair  
Mr Romanski  
Mr Walters

**BUDGET PRESS NOTICE: VED EVASION**

The Chancellor has seen Mr Romanski's minute to the Minister of State of 10 March and is content with the draft press notice, subject to the Minister of State's views.

C.R

CATHY RYDING



*PWJ*

**NOTE OF A MEETING HELD IN HM TREASURY**  
**ON 12 MARCH 1987**

Present: Chancellor  
Chief Secretary  
Financial Secretary  
Economic Secretary  
Minister of State  
Sir T Burns  
Mr Scholar  
Mr Culpin  
Miss O'Mara  
Mr Pickford  
Mr Pickering  
Mr Beighton - IR  
Mr Wilmott - C&E  
Mr Cropper  
Mr Tyrie  
Mr Ross Goobey

---

**BUDGET PRESENTATION**

**Income Tax**

The Chancellor broadly agreed with the Financial Secretary's proposals in his 10 March minute. In particular, he agreed with paragraph 8 on the handling of the effects of lower tax rates on yields. He thought it was important to stress that the marginal tax rate would be lower for 95 per cent of the population, and that the combined tax and NIC burden at average earnings would be below that in 1978-79, though this did not seem to be true for a married couple with two children. Politically, the key thing was to bring out the distinction between the policies of the different parties.

2. The Chancellor said that there should be a double benefit on the tax front: credit for this year's reductions; and the demonstration that there was still a good deal more to do. It was thus important to bring out that non-oil taxes were not falling as a proportion of GDP.



3. It was agreed that the uniform definition of average earnings should be for full-time adult males.

4. On the higher rates of income tax, the reason for not indexing all the thresholds was that as last year, the benefit of income tax reductions had been concentrated on basic rate taxpayers. The Chancellor did not want to be drawn into specific commitments for the future, though we should certainly say that tax reform was going ahead. His New Year interview with the "Financial Times" gave a line to take on international comparisons, and made the point that further reductions were for the next Parliament.

#### Wider Share Ownership

5. It was agreed that the wider share ownership press release should be issued the day after Budget Day, to fit in with the Financial Secretary's speech in the Debate.

6. The Chancellor agreed with the Financial Secretary that the points to make were that all social classes were joining the ranks of shareholders, that there were shareholders all over the country, and that PEPs were doing well. As to international comparisons, he thought it would be safe to say that around 25 per cent of the adult population in the USA were shareholders; we were up to 20 per cent, and "catching up fast".

#### Excise Duties

7. The figures for real changes in excise duties under Labour and in the two Conservative Parliaments show how seriously the Government has taken health considerations. Drink would also be up over this Parliament but for the European Court decision on wine duty and the policy decision to compensate the whisky industry for the abolition of stock relief.



8. If asked why the freeze had occurred in this Budget, the answer should be both an appeal to commonsense, and the point that, just as pay settlements were starting to come down, it would be ridiculous to give a gratuitous nudge to inflation.

### Corporation Tax

9. The best defence against charges that the burden was too high was that the Government had cut the National Insurance Surcharge when the corporate sector was in difficulties, and that the NIS would have brought in £4 billion in 1987-88, had it still been in place. The specific measures were justified on their merits.

### Profit-related Pay

10. The Chancellor said that this was one of the main positive points in the Budget, and should be given prominence.

11. He thought there might be an attack that the measure was trivial. But the tax relief was up to double the amount in the Green Paper, and could easily be worth the equivalent of a penny off the basic rate. The published cost figure was less than the £150 million originally estimated, but that was a guess at the ultimate take-up. However, defensive material would be needed on the basis for the published costs.

### Pensions

12. Mr Fowler will be making a major speech on pensions on 19 March.

13. Some people might ask why the Government was extending pension reliefs, when it thought they were excessive already. The answer was that the Government was achieving a level playing field, and giving more scope for personal choice.

14. The Chancellor commented that the presentation should not pull out the effects of the Budget on the financial sector.



### Economic Background

15. The Chancellor said that the line to take in presenting the main economic decisions was that they represented continued prudence and caution; these policies were delivering the goods, and would lay the basis for future successes. The Chief Secretary added that we could say that, thanks to the prudent policies, the tax cuts that followed would stick. This would destroy the argument Labour were trying to run that there was a crisis round the corner and any tax cuts would have to be reversed.

A handwritten signature in black ink, appearing to be 'A P HUDSON'.

A P HUDSON

17 March 1987

### Circulation

Those present  
Sir P Middleton  
Mr Cassell  
Miss Sinclair  
Miss C Evans  
PS/IR  
PS/C&E



MR REED/IR

FROM: NIGEL WILLIAMS

DATE: 12 March 1987

cc PS/Chancellor  
Mr Walters  
PS/IR

## BUDGET DAY PRESS RELEASES

This is to confirm that the Financial Secretary was content with the various Press Releases attached to your minute of 6 March as follows:

- (i) Corporation Tax Rates  
Content as drafted
- (ii) Corporation Tax Payment Dates  
Content as revised with new version of paragraph 2 and with other amendments
- (iii) Interest Payments between Companies  
Content as drafted
- (iv) Business Expansion Scheme  
Content as drafted
- (v) Apportionment of income of close companies  
Content as drafted
- (vi) Trade Union Provident Benefits  
Content - subject to the adoption of the Economic Secretary's suggested alteration to the first paragraph (Mr Westhead's minute of 10 March).

NIGEL WILLIAMS

(Assistant Private Secretary)

BUDGET: SECRET



1. Andrew - see  
(x)  
2. RWP

PS/IR

FROM: NIGEL WILLIAMS

DATE: 12 March 1987

cc PS/Chancellor  
Mr Walters

## BUDGET DAY PRESS RELEASES

I telephoned those who sent Press Releases as soon as they had been approved.

2. This is to confirm that the Financial Secretary was content with the following:

- (i) Income Tax and PAYE  
(Mr Mace's minute of 6 March)  
Content - as drafted.
- (ii) Car and Car Fuel Benefits  
(Miss Rhodes' minute of 6 March)  
Content - as drafted
- (iii) Mortgage Interest Relief  
(Mr O'Connor's minute of 5 March)  
Content as drafted
- (iv) Deduction of Tax  
(Mr O'Connor's minute of 5 March)  
Content - subject to removing the section on Composite Rate from the main body of the Press Release and placing it at the end of the Press Release under the heading 'Note for Editors'.

(This meets the Economic Secretary's point (Mr Barnes' minute of 9 March) that it would be preferable to refer to CRT in a minor note at the end of the Press Release and I agreed this approach with the Economic Secretary's Office)

(v) Capital Gains  
(Mr Cayley's minute of 27 February)  
Content, subject to:

(a) the replacement of 'major' with 'important' in the first line of the Press Release headed 'Corporation Tax on the Capital Gains of Companies' (as suggested in Miss Sinclair's minute of 5 March)

(b) Point (ii) of the same Press Release to be amended as follows:

X | "the charging of gains in full at normal corporation tax rates. The small companies rate will, where appropriate, apply to gains, giving a reduction from 30% to 27% in the effective rate for companies concerned".

This meets the point made in Mr Kuczys' minute of 9 March.



**NIGEL WILLIAMS**  
(Assistant Private Secretary)



## PROFILE

THE ENGINEER 12 March 1987

# An economy with words

*Nigel Lawson holds perhaps the least endearing position in the Cabinet as far as the public is concerned. But he has never courted popularity. Ann Melsom reports.*

**C**OME NEXT TUESDAY, your attitude towards Nigel Lawson will depend on whether you smoke or drink, drive a car, own a house, or pay income tax — and on whether you think his Budget plans will boost or hinder your company's prospects.

You are not alone if you have trouble deciding whether to love or hate Lawson. His colleagues in the House of Commons share the dilemma. Like the rest of us, they rarely find men who are like Lawson — obviously bright, short on patience and almost bereft of small talk — particularly endearing. Friendly reactions to Lawson are rare and come mostly from close associates who have known him for a long time.

Lawson's lack of interest in the politician's usual activity of making friends and

influencing people has not prevented him from reaching the second highest position in British politics. But this disinterest may explain his long struggle for a seat in Parliament.

It was after several tries that he was adopted for the potentially winnable seat of Eton and Slough in the 1970 general election. He lost to the sitting tenant, Labour's Joan Lester. But he persevered and became MP for Blaby, Leicestershire, in 1974.

Since then Lawson's designs on the Treasury have been clear.

As City editor of the *Sunday Telegraph* in the early 1960s he helped establish modern financial journalism. He was on the Conservative Party's working group on economic policy. And in 1977 he became Opposition

spokesman on Treasury and economic affairs. Lawson was made Financial Secretary to the Treasury in 1979, energy secretary in 1981, and finally, in 1983, he became Chancellor of the Exchequer. Lawson had the job he wanted.

Despite Lawson's ups and downs as Chancellor, most MPs regard him as a successful one. But he may get no further. He has no popular support among backbench MPs, and has made no attempt to secure a parliamentary base at Westminster. Even those backbenchers who admire his acumen as Chancellor do not like the way he treats them, so any bid for leadership of the party is almost bound to fail.

Many Tory MPs feel he should stay where he is. He has done a good job so far, they say, and there is more for him to do. Income tax, for example, can come down further — to 50% in the top bracket and 20% at the standard rate.

Lawson regards his working day as the hours between 6am and 1am. This effort pays off in plaudits from Tory MPs, who have described him as 'the best Chancellor for a long time', and 'a most astute Budget maker'. Another says that 'he actually understands the economy'. This effort will be at its peak in the final days of the two-month Budget purdah during which Lawson severely limits his public utterances and ceases to see journalists.

But Lawson does have his moments of madness. In the early 1970s he lost his and his first wife's inheritances on the Stock Exchange. In 1975 he hit a Labour minister, Stanley Clinton Davies, in a Commons altercation. And he has his flashy side, having in the past had a devotion to gaudy waistcoats and floral ties. He is also a devoted father, and apparently avoided being referred to the NSPCC after calling his first two daughters Nigella and Thomasina.

However, Lawson is better-known as a politician with tough and uncompromising views, whom no one dares see without doing their homework first. Apart from his spell as energy secretary, Lawson has devoted most of his political energy to the Treasury, raising and husbanding money. He has left the spending to his Cabinet colleagues, although he may have money to give away on Tuesday.

This fit of generosity with the taxpayers' money, if it comes, will do little to alter Lawson's image as a right-wing monetarist, politically close to Margaret Thatcher. This image may make him unpopular with large sections of the British public, but Lawson must have realised long ago that Chancellors rarely end up well-loved, and he shows little sign of worrying about it. E



PKs Chancellor  
15/2 prep



BUDGET SECRET

**INLAND  
REVENUE**

**Press Release**

INLAND REVENUE PRESS OFFICE, SOMERSET HOUSE, STRAND, LONDON WC2R 1LB

PHONE: 01-438 6692 OR 6706

17 March 1987

[3x]

### THE BUDGET 1987: INCOME TAX

1. In his Budget today, the Chancellor of the Exchequer announced a reduction in the basic rate of income tax from 29 per cent to 27 per cent and increases in the main personal allowances in line with the statutory indexation provisions. He also announced a new, higher level of age allowance for people aged 80 and over and a substantial increase in the blind allowance.
2. The changes will mean that most taxpayers will pay between 1½ and 2 per cent less of their income in tax. For example, a single person earning £140 per week will pay £2.37 per week less in tax; and a married man earning £200 per week will pay £3.32 per week less. The tax reductions, including any tax overpaid from 6 April, will be in pay packets on the first pay day after 17 May.
3. The increases in personal allowances are based on the increase in the Retail Price Index of 3.7 per cent in the year to December 1986, rounded in accordance with the statutory provisions. The married man's allowance is increased by £140 to £3,795 and the single person's allowance and wife's earned income allowance are increased by £90 to £2,425. The additional personal allowance (mainly for single parents) and the widow's bereavement allowance - which are automatically equal to the difference between the married and single allowances - increase by £50 to £1,370.
4. Age allowances are also increased: by £110 to £2,960 for the single and by £170 to £4,675 for married couples. The income limit for the age allowances rises to £9,800. The Chancellor also proposes to introduce a higher level of age allowance for single people aged 80 and over and for married couples where one or both partners are aged 80 and over. For single people this will be £3,070 and for married couples it will be £4,845. The Budget changes mean that a married couple aged 65-79 with income of £160 per week will pay £2.35 less tax and a couple aged 80 or over with the same income will pay £3.23 less.
5. The Chancellor proposes to increase the blind allowance by £180 to £540. Where a husband and wife are both blind, the allowance for the couple rises by £360 to £1,080.
6. The Chancellor also proposes to increase the thresholds for the 40 per cent and 45 per cent higher rates of tax. The upper limit of the basic rate band is to be increased by £700 to £17,900 in line with statutory indexation. The cut in the basic rate is therefore worth a maximum of £358 per year or £6.88 per week to any taxpayer. The threshold for the 45 per cent rate will go up by £200 to £20,400. The thresholds for the 50 per cent, 55 per cent, and 60 per cent rates will remain at their 1986-87 levels.

/7. The Chancellor's

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7. The Chancellor's proposals in detail are as follows:

(1) Personal Allowances

	1986-87	Proposed increase		1987-88 Proposed level
	£	£	per cent	£
Single person's allowance and wife's earned income allowance	2,335	90	3.9	2,425
Married man's allowance	3,655	140	3.8	3,795
Additional personal allowance and widow's bereavement allowance	1,320	50	3.8	1,370
Blind person's allowance	360	180	50.0	540
Single age allowance (age 65-79)	2,850	110	3.9	2,960
Married age allowance (age 65-79)	4,505	170	3.8	4,675
Single age allowance (age 80 and over)	2,850	220	7.7	3,070
Married age allowance (age 80 and over)	4,505	340	7.5	4,845
Age allowance income limit	9,400	400	4.3	9,800

(2) Rates and Rate bands

Rate of tax	1986-87 taxable income	Proposed increase in starting point		1987-88 proposed taxable income
per cent	£	£	per cent	£
27	-	-	-	0-17,900
29	0-17,200	-	-	-
40	17,201-20,200	700	4.1	17,901-20,400
45	20,201-25,400	200	1.0	20,401-25,400
50	25,401-33,300	-	-	25,401-33,300
55	33,301-41,200	-	-	33,301-41,200
60	Over 41,200	-	-	Over 41,200

/8. The total

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8. The total direct revenue costs of these proposals will be about £2.7 billion in 1987-88, some £1.9 billion more than the cost of statutory indexation of allowances and thresholds. The details are in the following table.

<u>Costs (£million)</u>	1987-88		1988-89
	total costs	costs above indexation	costs above indexation
Personal allowances	705	10	10
Basic rate limit	60	-	-
Reduction of 2p in basic rate*	1,910	1,910	2,690
Increase in further higher rate thresholds	5	-40	-80
Totals	2,680	1,880	2,620

\* Excluding costs of £290 million in 1987-88 and £110 million in 1988-89 for the consequential reduction in the rate of Advance Corporation Tax.

**Illustrative changes**

9. The effects of the changes on individual taxpayers at various levels of income are illustrated in the attached tables, which assume that the taxpayer has no reliefs other than his or her personal allowance. Tables 1 and 2 show the effects of the changes in income tax proposed in the Budget for 1987-88 for single and married taxpayers compared with 1986-87. Table 3 shows the effects of the proposals for 1987-88 compared with statutory indexation. Table 4A shows the effects compared with 1986-87 for people aged 65 to 79 and Table 4B for those aged 80 and over. Tables 5, 6A and 6B give information in weekly, instead of annual, terms for levels of income up to £600 a week.

10. Tables 7 and 8 show the effects on weekly net income of single and married taxpayers and families with two children, after taking account of national insurance contributions and child benefit.

11. The remaining tables illustrate the effect of the income tax and NIC changes after taking account of the effects of increases in earnings. For illustration, an increase in earnings of 6.5 per cent has been assumed. This is the rate of increase between 1986-87 and 1987-88 taken by the Government Actuary as a working assumption for his annual review of national insurance contributions (see paragraph 3.02 of the Autumn Statement 1986). Table 11 includes the effect of child benefit for a married couple with two children. Finally, Table 12 shows changes in the weekly income after tax of a married couple where both partners are working.

**Note for Editors**

The indexed figures for allowances and thresholds are set out in the Annex to this notice and also in an Order made today by the Treasury as required by Section 24(9) of the Finance Act 1980.

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ANNEX

**THE BUDGET 1987: INCOME TAX**

MAIN ALLOWANCES & THRESHOLDS AS INDEXED\* IN ACCORDANCE WITH SECTION 24, FINANCE ACT 1980

1. Allowances	1986-87	1987-88 indexed and proposed
	£	£
Single person's allowance and wife's earned income allowance	2,335	2,425
Married man's allowance	3,655	3,795
Age allowance (single)§	2,850	2,960
Age allowance (married)§	4,505	4,675
Age allowance income limit	9,400	9,800
Additional personal allowance and widow's bereavement allowance	1,320	1,370

§ A new higher level of age allowance is proposed for 1987-88 for those aged 80 and over. The allowance will be £3,070 for single people and £4,845 for married couples.

**2. Higher rate thresholds and bands**

Taxable income			
Rate	1986-87	1987-88 indexed	1987-88 proposed
per cent	£	£	£
27	-	-	0-17,900
29	0-17,200	0-17,900	-
40	17,201-20,200	17,901-21,100	17,901-20,400
45	20,201-25,400	21,101-26,500	20,401-25,400
50	25,401-33,300	26,501-34,700	25,401-33,300
55	33,301-41,200	34,701-42,900	33,301-41,200
60	Over 41,200	Over 42,900	Over 41,200

\* Section 24 requires 1986-87 allowances and rate bands to be increased by the same percentage (3.7 per cent) as the percentage increase in the general index of retail prices (RPI) between December 1985 and December 1986; and

- i. in the case of the rate bands and the age allowance income limit, the result to be rounded up to the nearest multiple of £100; and
- ii. otherwise, the increase to be rounded up to the nearest multiple of £10; although
- iii. additional personal allowance and widow's bereavement allowance are automatically equal to the difference between the married man's allowance and the single person's allowance.

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ANNEX

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Single person's allowance and wife's earned income allowance	2,425
Married man's allowance	3,795
Age allowance (single)	2,960
Age allowance (married)	4,675
Age allowance income limit	9,800
Additional personal allowance and widow's bereavement allowance	1,370

2. Higher rate thresholds and bands

Rate	Taxable income 1987-88 indexed
per cent	£
27	-
29	0-17,900
40	17,901-21,100
45	21,101-26,500
50	26,501-34,700
55	34,701-42,900
60	Over 42,900

\* Section 24 requires 1986-87 allowances and rate bands to be increased by the same percentage (3.7 per cent) as the percentage increase in the general index of retail prices (RPI) between December 1985 and December 1986; and

- i. in the case of the rate bands and the age allowance income limit, the result to be rounded up to the nearest multiple of £100; and
- ii. otherwise, the increase to be rounded up to the nearest multiple of £10; although
- iii. additional personal allowance and widow's bereavement allowance are automatically equal to the difference between the married man's allowance and the single person's allowance.



# Inland Revenue

BUDGET SECRET

COPY 1 OF 9

Policy Division  
Somerset House  
FROM: B A MACE  
DATE: 12 MARCH 1987

CHANCELLOR OF THE EXCHEQUER

*prop.*  
*(Ch + Annx had already  
seen 'fax' version)*  
*MJM 12/3*

## BUDGET 1987: MAIN INCOME TAX PRESS NOTICE

1. Mr Kuczys' note of 9 March gave your comments on the draft of this press notice circulated with my minute of 6 March. We shall make the necessary changes.
2. I undertook to consider whether there was any scope for reducing the repetition between paragraph 7 of the Notice and the Annex.
3. I attach a copy of the final version of the text of the Notice with three alternative versions of the Annex.
4. Version A is essentially the one you have already seen.
5. Since the main purpose of the Annex is to set out the result of statutory indexation one possibility would be to give only those figures, as in Version B. This reduces the overlap with paragraph 7 to a minimum but it makes a direct comparison between indexation and the Budget proposals less easy because the proposals will be on an earlier page.

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cc Financial Secretary  
Mr Scholar  
Mr Culpin

Mr Isaac  
Mr Lewis  
Mr Eason  
Mr Mace  
PS/IR

6. A compromise would be Version C which drops the 1986-87 figures from Version A but retains the separate taxable income column showing the proposed 1987-88 rates and bands. This would avoid anyone who happened to glance quickly through the release assuming that the indexation figures were to be the actual figures for 1987-88.

7. Version C would be our preferred solution.

B A Mace

B A MACE





A large, handwritten scribble or signature in the top right corner of the page.

FROM: N WILLIAMS  
DATE: 13 March 1987

PS/IR

cc PS/Chancellor  
Miss Sinclair  
Mr Walters

#### BUDGET DAY PRESS RELEASES

1. I have informed by telephone those who sent Press Releases as soon as the Financial Secretary was content with them. This minute is to confirm that the Financial Secretary was content with the following;

- (i) Employee Share Schemes  
(Mr Prescott's minute of 6 March)  
Content as drafted.
- (ii) Apportionment of income etc. of close companies  
(Mr Reed's minute of 10 March)  
Content as drafted.
- (iii) Assured Tenancies  
(Mr Elmer's minute of 6 March)  
Content as amended (Paragraph 3 of Note for Editors deleted, paragraph 4 renumbered accordingly).
- (iv) FSA and Unit Trusts  
(Mr Spence's minute of 6 March)  
Content as drafted.

- (v) Controlled Foreign Companies  
(Mr Bryce's minute of 11 March)

Content as drafted.

- (vi) Banks Overseas Lending: Double Taxation Relief  
(Mr Shepherd's minute of 6 March)

Content subject to the incorporation of the  
Economic Secretary's drafting suggestions (Mr Barnes'  
minute of 9 March refers).



**NIGEL WILLIAMS**  
(Assistant Private Secretary)

MR FRAY  
14/2FROM: P J EDWARDS  
DATE: 16 MARCH 1987

MR BOBSIN

cc Mr Pickford  
Mr Porteous  
Mr Woodall  
Mr Fray  
Mr Rawlings  
Enquiry Room  
IDCSIDT DISTRIBUTION OF BUDGET DOCUMENTS 1987

Arrangements for people collecting documents that are being issued by IDT are as follows.

PRESS

Representatives of the press have been asked to arrive at the front door at 5.00 pm. They should have a letter of authority with them which has a purple number in the top right hand corner, to be checked against the attached list. They can then be directed to room 29/2.

NON-PRESS

Representatives of the non-press have been asked to arrive at the front door at 5.00 pm. They should have a letter of authority with them which has a blue number in the top right hand corner, to be checked against the attached list. They can then be directed to room 29/2.

FOREIGN AND FINANCIAL JOURNALISTS

Representatives of the FFJG have been asked to arrive at the front door at 5.00 pm. They should have a letter of authority with them which has a red number in the top right hand corner, to be checked against the attached list. They can then be directed to room 29/2.

GOVERNMENT DEPARTMENTS

Representatives of other Government departments have been asked to arrive at the front door at 5.00 pm. They should be directed to the enquiry room where they can collect their packages.

Although all representatives have been asked to arrive at 5.00 pm, no doubt they will turn up a lot earlier. Any representative of the press, non-press and FFJG should not be allowed to go to room 29/2 without the necessary authority. I will be in attendance at the front door to deal with any difficult customers.

*P. J. Edwards*

P J EDWARDS

NAME	NEWSPAPER/PRESS ORGANISATION	REF.	NO.
Heather Connon (Finance Editor)	ACCOUNTANCY AGE	1a	1
Robert Bruce (Editor)		1b	1
John Leslie (City Editor)	INVESTMENT ADVISOR	1c	1
Colin Jones (Editor)	THE BANKER	2	1
Neville Broyd-Mansell	BIRMINGHAM POST	3	2
John Williams (News Editor/Radio)	THE WORLD TONIGHT	4a	1
-(Broadcasting House)	THE FINANCIAL WORLD TONIGHT	4b	1
	TODAY	4c	1
James Morgan -(Bush House)	BBC WORLD SERVICE	5	1
Colin Tredwell (News Editor)	BRITISH BUSINESS	6	1
J D Allen (Editor-in-Chief)	CONSTRUCTION NEWS	7a	1
J Connolly (News Editor)		7b	1
Philip Robinson (City Editor)	DAILY EXPRESS	8a	1
Philipa Kennedy (News Editor)		8b	1
Stephen Kahn (Business News Editor)		8c	1
Patrick Lay (City Editor)	SUNDAY EXPRESS	8d	1
Anthony Hilton (City Editor)	THE LONDON EVENING STANDARD	8e	1

Andy Simpson	<b>DAILY MAIL</b> x3 (+ 1 = MONEY MAIL) (TOTAL 4)	9	4
Richard Scott (Editor)	<b>DAILY MIRROR</b>	10a	1
Joe Haines (Group Political Editor)		10b	1
Robert Head (City Editor)		10c	1
Paul Bareaud (Economic Advisor)		10d	1
Tom Hendry (News Editor, Daily Mirror)		10e	1
Peter Wilson (News Editor, Sunday Mirror)		10f	1
Peter Lynch (News Editor)	<b>THE LONDON DAILY NEWS</b>	11a	1
Jim Levi (City Editor)		11b	1
+ 1 (Julia Langdon)		11c	1
John Davies (City News Editor)	<b>DAILY TELEGRAPH (CITY)</b>	12	2
R Francombe (News Room Office Manager)	<b>DAILY TELEGRAPH</b>	13	5
Editor	<b>THE ECONOMIST</b>	14a	1
Deputy Editor		b	1
Britain Editor		c	1
Economics Editor		d	1
Finance Editor		e	1
Donald Taylor (Assistant Editor)	<b>FARMING NEWS</b>	15	1
Osamu Ito	<b>THE J I J I PRESS LTD</b>	16	1
Tim Roberts (City Editor)	<b>FINANCIAL INFORMATION CO LTD</b>	17	1

David Walker (News Editor)	<b>FINANCIAL TIMES</b>	18	14
Tom Lloyd (Editor)	<b>FINANCIAL WEEKLY</b>	19	3
Robert Martin (City Editor)	<b>GLASGOW HERALD</b>	20a	1
William Russell (London Editor)		20b	1
Melanie Phillips	<b>THE GUARDIAN</b>	21	15
Sarah Hogg	<b>THE INDEPENDENT</b>	22a	1
Steve Levinson		22b	1
Peter Wilson-Smith		22c	1
David Brewerton		22d	1
Lana Bourke		22e	1
Bill Bryson		22f	1
Alistair Hatchett	<b>INCOMES DATA SERVICES LTD</b>	23a	1
Denis Crowe		23b	1
Billian O'Connor	<b>INVESTORS CHRONICLE</b>	24	3
D Green	<b>CHANNEL 4 NEWS</b>	25a	1
S Tinson	<b>ITN</b>	25b	1
Janet Porter	<b>THE JOURNAL OF COMMERCE (New York)</b>	26	1
Mark Lehenev	<b>KNIGHT RIDDER (UNICOM)</b>	27	2

Hugh Pile (Editor)	<b>LWT - WEEKEND WORLD</b>	28a	1
David Aaronovitch (Producer)		28b	1
Harry Dean (Producer)		28c	1
David Nissan (Producer)		28d	1
Nelson Mews (Producer)		28e	1
Roger Nuttall	<b>MAIL ON SUNDAY</b>	29	2
Sally Brooks	<b>MONEY MARKETING</b>	30	2
David Lipsey (Editor)	<b>NEW SOCIETY</b>	31	1
John Lloyd (Editor)	<b>NEW STATESMAN</b>	32a	1
Peter Kellner (Political Editor)		32b	1
John Rentoul (Chief Financial Reporter)		32c	1
Will Hutton	<b>NEWSNIGHT</b>	33a	1
Peter Snow		33b	1
Melvyn Marckus	<b>THE OBSERVER</b>	34	3
Virginia Mason	<b>PENSIONS WORLD</b>	35	1
Dave Bradney	<b>PUBLIC FINANCE AND ACCOUNTANCY</b>	36	1
Brenda Kirsch	<b>7 DAYS (weekly paper of the Communist Party)</b>	37	1
David Mertens	<b>THE STAR</b>	38	1



Tom Petrie (News Editor)	<b>THE SUN</b>	39a	1
Charles Rae (Industrial Editor)		39b	1
David Cowell (Ass. News Editor)	<b>TODAY</b>	40	5
Editor 1. Roger Eglin 2. Christopher Smallwood	<b>SUNDAY TIMES</b>	41	2
Alistair Martin (News Editor)	<b>SUNDAY TODAY</b>	42	3
Rob Kirk (Editor)	<b>THAMES NEWS</b>	43a	1
Kitty Blogg (News Editor)		43b	1
David Bellin (Lobby Correspondent)		43c	1
David Blake	<b>THE TIMES</b>	44	15
J Heffernan (City Editor)	<b>UNITED NEWSPAPERS LTD</b>	45a	1
(Editor)	<b>incl.(YORKSHIRE POST)</b>	45b	1
Nick Nicholas	<b>UNITED PRESS</b>	46	1
Kathy Christensen	<b>THE WALL STREET JOURNAL</b>	47a	1
Joan Lublin		47b	1
Peter Norman		47c	1
Jonquil Lowe	<b>WHICH MAGAZINE</b>	48a	1
Lynette Gilbert		48b	1

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Kim Taylor	ACCOUNTANCY MAGAZINE	49	1
Marion Downey (Editor)	MEDECONOMICS	50	1
V J Riches	INTERNATIONAL BUILDING PRESS	51	1
Roger Bagley	MORNING STAR	52	1
Brian O'Connor	THE SCOTSMAN	53	2
Jonathan Birchall	BUSINESS WEEK	54	1

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BUDGET 1987 - NON PRESS (BLUE)

Advisory and Brokerage Services Ltd	1
Alexanders, Laing and Cruickshank	2
Allied Dunbar	3
ANZ Merchant Bank Ltd	4
Armstrong Watson & Co	5
Arthur Andersen & Co	6
Arthur Young	7
BAKER ROOKE	8
Bankers Trust Company	9
Barclays Bank plc	10
Barclays Bank Trust Co Ltd	11
Barclays de Zoete Wedd Ltd	12
Barnes Roffe	13
Bartletts, de Reya	14
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## FOREIGN FINANCIAL JOURNALISTS GROUP (LONDON BASED)

(led)

BUDGET DAY DOCUMENTS ON 17 MARCH 1987	<u>No</u>	<u>Quantity</u>
Asahi Shimbun	1	1
Australian Financial Review	2	1
Börsen	3	1
La Tribune de l'Economie	4	1
Die Zeit	5	1
Frankfurter Allgemeine Zeitung (collect 6.30 pm enquiry room)	6	1
Die Welt	7	2
Nachrichten Fur Aussen Handel	8	1
Neue Zurcher Zeitung	9	1
New York Times	10	1
INTERNATIONAL HERALD TRIBUNE	11	1
<b>TOTAL</b>		<u>12</u>

From: P J Edwards  
Date: 16 March 1987.

cc Mr Slaughter      Mr Bobsin  
Mr Westhead      Mr Pickard  
Miss D Francis  
Miss F Bogan      Mr Porteous  
Mr N Williams      Mr Fray - 14/2  
Miss E Frankis  
Miss Nicolle  
Miss Finnegan  
Mr Nicholls  
Mr Keuneman  
Mrs Wilkins

Mr Woodall

BUDGET 1987 - IN STUDIO RELEASES - TRANSPORT ARRANGEMENTS

Details of the transport arrangements for the Treasury officials involved in the studio/newsroom releases is as follows:-

<u>OFFICIAL</u>	<u>MEDIUM</u>	<u>CAR</u>	<u>REG.</u>	<u>DRIVER</u>
Mr Slaughter	FT	L/Blue Jaguar Sovereign	D958 GYV	MR R CURRY
Mr Westhead	REUTERS	Blue Audi 80	C246 CYT	MR B FROST
Miss Francis	LBC/IRN	Ford Granada Ghia(grey)	B989 BMH	MR C WILSON
Miss Bogan	BBC-TV	Grey Audi	A240 YRP	MR R JOHN
Mr Keuneman	BBC-TV	" "	"	"
Miss Nicolle	ITN	Green Ford Sierra Estate	B883 BVW	MR HICKS +Ms L THOMAS.
Mr Nicholls	ITN	" " " " " "	"	" " " "
Mr Williams	BBC-RADIO	MERCEDES	A818 FLO	MR A MOSS
Miss Frankis	ORACLE	Silver Datsun Laurel	VIN 511W	MR A GOLDBERG
Miss Finnegan	CEEFAX	Brown Ford Granada	B422 VYR	MR J de GRAY-BIRCH
Mrs Wilkins	AP-DOW JONES	Green MGB Roadster	ONL 755F	Ms C ROBERG

All the cars will arrive in the centre courtyard at 2.40pm (or just before).

Officials should collect their documents from Mr Fray in the Chancellor's Office, and be waiting in the courtyard just prior to the time stated above. The same cars will also bring officials back to the Treasury when they have finished.

*P J Edwards*  
P J EDWARDS.

November 3, 1987

**AUTUMN STATEMENT: WALES**

The Autumn Statement was presented to Parliament today by the Chancellor of the Exchequer, the Rt Hon Nigel Lawson, MP, outlining the Government's spending plans.

It shows that the total provision within the responsibility of the Secretary of State for Wales for 1988/90<sup>89</sup> is £3.45 billion. This is an increase of 8.1% over the provision in the last White Paper for corresponding programmes in the current financial year (£3.19 billion). The planning figures for 1989/90 and 1990/91 are £3.55 billion and £3.66 billion respectively.

The Secretary of State for Wales, Peter Walker, said: "I am pleased with a settlement in which I have secured very substantial additional provision for Wales for 1988/89 amounting to 8.1% above the provision made for 1987/88. I will now be considering over the next few weeks the allocation of resources to individual programmes within my responsibility in the usual way. I will of course consider very carefully the competing demands and priorities".

Note for Editors

Figures showing the detailed allocation of resources to all individual programmes within the Secretary of State's responsibility will appear in the Public Expenditure White Paper when it is published early in the New Year. Certain individual allocation announcements will be made before then.

# PRESS NOTICE

## Department of Employment

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242/87

November 3, 1987

### DEPARTMENT OF EMPLOYMENT GROUP EXPENDITURE

The public expenditure figures for the Department of Employment Group are published today.

The Rt Hon Norman Fowler, Secretary of State for Employment, said:

"Total provision for the Department of Employment Group in 1988/89 is broadly unchanged at £4250m, rising to £4360m in 1990/91.

"Unemployment has now fallen for 15 successive months and by a record 400,000 over the last year, with particularly significant reductions in unemployment among young people. I am therefore taking this opportunity to reassess priorities, particularly in the employment and training area and I am carrying out a review of adult training.

"The top priority must be to tackle long term unemployment both through The Employment Service and the Manpower Services Commission's programmes. In The Employment Service Restart counselling will be available for all people who have been unemployed for six months and at six monthly intervals thereafter. Provision is also being made for a further expansion of Jobclubs.

"The Manpower Services Commission will continue to expand the new Job Training Scheme and will improve the training provided within the Community Programme for long term unemployed people. The development of these programmes will help us to meet our manifesto commitments to guarantee opportunities for all 18-25 year olds who have been unemployed for six to 12 months and to aim to provide more opportunities for those under 50 who have been unemployed for over two years.

"Expenditure on YTS is being increased to give effect to the guarantee of a place for all unemployed 16 and 17 year olds. A measure of the growing success of YTS is that school leaver unemployment was at its lowest this September than in any September for 13 years.

"As part of this reordering of priorities, it has been decided that the Job Release Scheme and the New Workers Scheme will be closed for applications on 31 January 1988. The coverage of the Job Release Scheme has been in decline for some time, from a peak of 95,000 to the current figure of 20,000. Take-up of the New Workers Scheme has been disappointing and has now dropped to 18,000. Neither scheme specifically helps the long term unemployed and neither involves any training. I have therefore decided that the resources devoted to these programmes can be better used on other programmes which provide training for unemployed people.

"There will be further increases in the Department's assistance for small firms and tourism to support the continued growth of employment in these important and expanding sectors.

"The Health and Safety Commission are getting a substantial increase on the previously planned cash provision for 1988/89 which was itself an increase on the 1987/88 expenditure. This means they will be fully able to maintain their inspection standards."

#### NOTES TO EDITORS

##### Job Release Scheme

All existing applications will be considered but new applications can only be considered:

- if the proposed date of early retirement is no later than 31 January 1988. Applications should be made in the normal way and should be sent to the appropriate Employment Measures Unit at least 3 weeks before the date of early retirement.

- in exceptional circumstances, if the proposed date of early retirement is after 31 January but no later than 31 March 1988, provided the application is received by the Employment Measures Unit by 17 November 1987.

All applications must meet the Scheme conditions and acceptance cannot be guaranteed.

#### New Workers Scheme

Applications can be considered under the New Workers Scheme only if the job to be supported starts on or before 31 January 1988 and all other conditions are met. Applications must be received at the appropriate Employment Measures Unit within 13 weeks of the date the job started.

**PRESS  
RELEASE**

Alexander Fleming House  
Elephant and Castle  
London SE1 6BY

Telephone 01-407 5522

3 November 1987

JOHN MOORE GIVES DETAILS OF HEALTH AND  
PERSONAL SOCIAL SERVICES SPENDING PLANS

Following the Chancellor's Autumn Statement, John Moore, Secretary of State for Social Services, has given details of future spending plans for health and personal social services.

Mr. Moore said: "The largest ever additional sums of money have been allocated to the NHS so that planned spending in England will rise from £16.5 billion this year to £19.3 billion by 1990-91 - an extra £2.8 billion. Spending will rise by £1.1 billion in 1988-89, an increase of over £700 million above previous plans. These additions will enable funds to be made available for important initiatives in the Hospital and Community Health Services and the development of the Government's proposals on primary health care. Additional funds will also be available for the Personal Social Services and for centrally financed services, including public education on AIDS and prevention.

Hospital and Community Health Services - Current

"Health Authorities will receive over £700 million more in 1988-89 than in the current year; this is £479 million more than was planned in last year's survey. This will enable the important initiative on waiting lists to be continued and enhanced, as well as making a substantial extra contribution towards the costs of health authorities' AIDS-related services."

"The increase in planned provision amounts to a cash increase next year of 6.3 per cent, while inflation of 4.5 per cent is assumed. With cash released from cost improvement programmes and expected revenue from new income generation schemes, resources should increase by just over 3 per cent in real terms. In addition, health authorities should receive income of around £90 million, mainly from private patients' charges."

{MORE}



"Within the total resources available, I intend to put the planning and funding of AIDS-related services on a firm footing for the future. I plan to earmark over £50 million to help develop preventive, counselling, and diagnostic services and to make a contribution towards the costs of care and treatment in hospitals and in the community for those with AIDS or HIV infection. I am considering on what basis the allocations to individual regional health authorities should be made. This level of central provision should make an important contribution towards the costs of AIDS-related services enabling health authorities to develop adequate services for patients with AIDS and related conditions, while maintaining other priority services.

"I also propose to continue and extend the waiting list fund. This will be increased from £25 million to £30 million next year and continued for a further two years. The resource allocation bridging fund, for those health authorities facing major transitional costs in restructuring their services will be continued.

"As in previous years the resources made available to health authorities will be supplemented by cash released from cost improvement programmes - worth some £150 million in 1987-88. Additionally health authorities are to be encouraged to generate further income from the non-NHS use of hospital services and facilities - such as selling refreshments to visitors, advertising and sales of surplus equipment.

#### Hospital and Community Health Services - Capital

"Health authorities' capital expenditure is expected to be around £1 billion per year over the next three years. The capital allocation from the Exchequer will be £810 million next year with the balance coming from retained receipts of land and property sales.

"There are at present over 480 major building schemes, each costing over £1 million, in health authorities' capital programmes with a total value of £3 billion. About 140 of these schemes are planned for completion over the next three years. Some 70 new schemes are planned to start next year."

{MORE}

Family Practitioner Services

"Our plans allow for the forecast demand on family practitioner services to be met in full and for the development of primary care. Government spending on the FPS is expected to be £4.2 billion in 1988-89 - £350 million more than in the current year. Over the following two years, this is planned to increase to 4.7 billion.

Personal Social Services

The planned programme for net current spending on the local authority personal services in 1988-89 has been increased by £100 million, broadly in line with increases in local authority current spending provision overall.

Personal Social Services basic capital allocations will increase by £10 million to £71 million in 1988-89.

[END]

**PRESS  
RELEASE**

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Elephant and Castle  
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87/386

3 November 1987

SOCIAL SECURITY SPENDING

John Moore, Secretary of State for Social Services, today commented on increases in planned expenditure on social security benefits announced in the Chancellor's Autumn Statement. He also announced, in answer to a Parliamentary Question, changes to National Insurance contributions which will take effect from 6 April 1988. Mr. Moore said:

"Total expenditure on social security in 1988/89 is to be about £48 1/2 billion - about £1 billion higher than the estimate in the Public Expenditure White Paper at the beginning of this year. This reflects increases in the number of people claiming benefits, particularly lone parents and sick and disabled people, and the agreement to raise benefits to protect income support claimants against the cost of their 20 per cent contribution to rates.

"All retirement pensions, other contributory benefits, benefits for the disabled and similar benefits will be increased to maintain their value. Since 1979, pensioners' incomes have grown on average twice as fast as for the population as a whole, as a result of our record on retirement pension upratings, our success in controlling inflation, and the growth in occupational pensions. Sick and disabled people claiming income support will gain an average of £5 a week as a result of the new disability premium. I am directing an additional £320m to families in greatest need, through the family premium and the new family credit scheme. Thus, we will be increasing, not reducing, the overall level of resources devoted to families with children.

[MORE]

"There will be no increase in National Insurance standard contribution rates next year for either employers or employees. This will be the fifth successive year that we have held the rates at the same level, although the lower and upper earnings limits will be raised in the usual way. Since October 1985 there have been substantial reductions in contribution rates for lower paid people and their employers and next April we will again increase the thresholds below which those reduced rates apply."

In reply to a parliamentary question today from Mr Eric Forth, MP for Mid-Worcestershire, Mr Moore said

#### Employer and Employees

As my Right Hon. Friend the Chancellor of the Exchequer said in his statement earlier today, I do not propose to raise the standard rate of contributions for either employees or employers, which remain at 9% and 10.45% respectively. 1988-89 will be the fifth successive year when these rates have remained unchanged.

In line with the requirements of the Social Security Pensions Act 1975, the Lower Earnings Limit for Class 1 contributions is to be raised to £41 per week, which is just below the basic retirement pension rate for a single person, as announced to the House on October 27. The Upper Earnings Limit is to be raised to £305 per week, which is a little less than 7.5 times the new basic pension rate. The new earnings limits replace the current ones of £39 and £295 respectively.

The reduced contribution rates for the lower paid will continue unchanged. The reduced rates of 5% and 7% for employees, and 5%, 7% and 9% for employers will be extended further; they will now apply to weekly earnings which fall below the ceilings of £70, £105, and for employers only, £155 (the previous ceilings were £65, £100 and £150 respectively).

#### Not Contracted-out Employers and Their Employees

Neither the employee nor his employer will have to pay any contributions if his earnings are less than £41 per week. For people earning between £41 and £295 (the former upper earnings limit) there will be no increase for either the employee or the employer. In fact, owing to the increase in the earnings ceilings for the reduced contribution rates, some lower paid

(More)

employees will pay a slightly smaller contribution, as will their employers. For those employees with earnings above £295 per week, the maximum possible increase will be 90 pence per week. There will be no corresponding increase for employers since there is no Upper Earnings Limit for their contributions.

#### Contracted-out Employers and Their Employees

Contributions payable by some contracted-out employees and their employers will rise slightly, partly as a result of the lower contracted-out rebate which Parliament approved in April, and which will take effect in April 1988. Where earnings are less than the former Upper Earnings Limit of £295 per week, the increase will reflect both the reduced rebate and the fact that the increase in the Lower Earnings Limit increases the band of earnings on which the non-contracted-out contribution rates are paid. Some lower paid contracted-out employees, and their employers, will in fact have their contributions reduced as a result of the higher earnings ceilings for the reduced contribution rates.

Contracted-out employees with earnings above the old Upper Earnings Limit (£295) will pay a maximum of £1.12 a week extra, and employers will pay a maximum of 46 pence per week extra.

#### Self Employed People

The flat rate Class 2 contribution will be raised to £4.05 per week.

The rate of Class 4 contributions will not be increased. The annual limits of profits between which Class 4 contributions are paid will be raised to £4,750 and £15,860 from £4,590 and £15,340 respectively.

For those self-employed people with profits between £4,750 and £15,340 (the former upper profits limit) Class 4 contributions will be reduced by £10.08 per year in 1988-89 assuming an unaltered level of profits. For those self-employed people with profits at or above the proposed upper profits limit of £15,860 in 1988-89, annual Class 4 contributions will be £22.68 higher.

#### Class 3 (Voluntary) Contributions

The rate of Class 3 contributions be raised to £3.95 per week.

(More)

## Treasury Supplement

The Treasury Supplement to the National Insurance Fund will be reduced from 7% to 5% with effect from April 1988.

## Employment Protection Allocation

There will be no Employment Protection Allocation for 1988/89 - currently the rates are 0.07% for employees and 0.06% for employers.

## National Health Service Allocation

The allocation to the National Health Service, currently 0.85% for employees and 0.7% for employers, will be increased to 0.95% and 0.8% respectively from April 1988.

The draft Orders and the contributions amendment Regulations, which are required to give effect to my proposals, together with the Government Actuary's report on their effect on the National Insurance Fund, will be laid before the House shortly.

## Note For Editors

Tables A1 and A2 attached set out the changes proposed for 1988-89, and Table B1 shows their effect, together with the effect of the changed contracted-out rebate, on individual liability on a range of earnings between £39 per week (the current lower Earnings Limit) and £305 per week (the proposed Upper Earnings Limit for employees). Detailed estimates of the yield of National Insurance Contributions will be included in the Government Actuary's report on the draft of the Social Security (Contributions Re-rating) (No 2) Order 1987 which will be published shortly.

The Class 1 and Class 4 standard contribution rates will not be changed, but the Lower Earnings Limit for Class 1 contributions will be increased to £41, to maintain its mandatory relationship with the basic pension rate. The Upper Earnings Limit will be raised to £305.

As Class 1 rates are not to be changed, most not-contracted-out employees will not be affected. Some people's contributions will fall; the higher Lower Earnings Limit means that weekly earnings which total more than £39 (the existing limit) but less than £41 (the proposed limit) will no longer attract

(More)

contributions. Higher earnings ceilings for the reduced contribution rates will also cut some people's contributions. However employees earning more than £295 per week (the existing Upper Earnings Limit) will pay contributions on the next £10 of earnings from next April (ie up to £305 per week, the new Upper Earnings Limit), a maximum increase of 90 pence per week. There is no Upper Earnings Limit for employers' contributions.

Where employees are members of contracted-out pension schemes, they will pay slightly more National Insurance Contributions, because of the increased Lower Earnings Limit. This arises because the contracted-out rebate on contributions paid by such employees and their employers applies only to that portion of earnings between the Lower and Upper Earnings Limit. The contracted-out rebate will therefore cease to apply to weekly earnings between £39 and £41.

These employees will also pay more National Insurance Contributions because Parliament has reduced the contracted-out rebate from 2.15% to 2.00% for employees' contributions and from 4.1% to 3.8% for employers' contributions. These changes take effect from April 1988 at the same time as the re-rating proposals. Employees earning at or above £305 per week ( the proposed Upper Earnings Limit) will pay an extra £1.12 per week in National Insurance Contributions, of which 72 pence arises from the re-rating decisions, and 40 pence from the reduced contracted-out rebate. Employers with contracted-out employees earning more than the proposed upper earnings limit (£305) will pay an extra 46 pence extra.

The Class 2 rate will be raised from £3.85 to £4.05 and the Voluntary Class 3 rate from £3.75 to £3.95. The Lower and Upper Profits Limits for Class 4 contributions will be increased to £4,750 and £15,860 respectively. Table B2 shows their effect on individual liability for a range of earnings.

[Ends]



## HM CUSTOMS AND EXCISE NEWS RELEASE

No. 77/87

3 November 1987

### **MORE STAFF FOR DRUGS AND VAT**

Increases in HM Customs & Excise staffing are announced today following the Public Expenditure Survey.

There will be an overall build-up of 531 extra staff during 1988-89. This is 410 more than the planned staffing level set in last year's Public Expenditure Survey. The staff will be directed at the Government's top priorities for the Department - the prevention of drugs smuggling and the effective collection of VAT.

Allowing for reallocation of efficiency savings the Department will allocate about 450 additional staff to Customs work, mainly on the prevention of drug smuggling. Additionally, the control of VAT will be strengthened.

The Department's new staff in post figure for 31 March 1989 will be 27,178. Further increases are planned to a total of 27,608 by 31 March 1990 and 28,138 by 1991.

### **CUSTOMS**

Of the 450 new staff for Customs, 360 will be employed on maintaining and enhancing preventive controls on passengers and freight at ports and airports. In addition some 90 specialist and support staff will be added to strengthen drugs investigation including the confiscation of assets from criminals convicted of drugs or other offences.

These new resources will be used to build upon the success achieved by existing Customs staff. In 1986-87, Customs officers made 5,566 drugs seizures, 33% more than in the previous year. 171 kilos of heroin, 98 kilos of cocaine and 20,270 kilos of cannabis were seized. Arrests



for drug offences increased by about 40%.

#### VALUE ADDED TAX

Some additional 150 staff will be employed on VAT. After allowing for redeployment, 265 extra visiting officers will be employed to enhance controls and a further 95 staff employed on other VAT collection duties.

The additional resources now allocated to VAT work follow the increases authorised in previous years which have provided very cost effective returns. In 1986-87 VAT revenue amounted to £21.4 billion and constituted more than half of Customs and Excise duty and tax receipts. Nearly £600 million in underpayments were recovered as a result of visits by control staff.

ISSUED BY: HM CUSTOMS AND EXCISE, PRESS AND INFORMATION OFFICE,  
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DEPARTMENT OF  
**EDUCATION AND SCIENCE**

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**NEWS** 321/87

NOVEMBER 3 1987

KENNETH BAKER ANNOUNCES AN EXTRA £1.3 BILLION FOR EDUCATION AND SCIENCE

IN 1988-89

Education Secretary Kenneth Baker today announced that expenditure on education and science in 1988-89 would total £17,962m - an increase of £1,303m or nearly eight per cent over plans for the current year.

Mr Baker told the House of Commons that the increases include:

- planned local authority current expenditure up by £1,020m, or 7.9 per cent over plans for 1987-88;
- provision for capital expenditure on schools and colleges up by £100m - 22 per cent - next year and for each of the following two years;
- a £155m restructuring programme for the universities, including provision for 'new blood' posts; and
- a Science Budget of £696m in 1988-89, an increase of £47m on earlier plans.

In a written Parliamentary answer to a Question from James Pawsey, MP for Rugby and Kenilworth, who asked if the Secretary of State would make a statement about the Government's plans for expenditure on education and science, Mr Baker said:

## PUBLIC SPENDING ON EDUCATION AND SCIENCE

1. As my right hon Friend the Chancellor of the Exchequer announced in his statement today, provision for education and science in 1988-89 will be £17,962m. This total is £1,303m or 7.8% higher than provision for 1987-88.

2. Subject to Parliament's approval of the necessary legislation, additional resources are being provided to enable the Government to implement its proposals for education reform. About £65m over 3 years will be provided to fund work in support of the Government's proposals for a national curriculum, particularly that of the National Curriculum Council and the School Examinations and Assessment Council. £9 million is being made available in 1988/89 to enable polytechnics and colleges to assume responsibility for managing their own affairs. In higher education the resources available should be sufficient to provide for at least the numbers of students projected in the Government's White Paper "Meeting the Challenge" (Cm 114) - Projection Q. In addition I am making provision for a substantial programme for the improvement of school buildings. Further details of my plans are set out below.

### BUILDINGS AND EQUIPMENT FOR SCHOOLS AND COLLEGES

3. Gross provision for capital spending on schools and colleges has been increased by £100m a year - or 22% - over the Survey period. Within this provision I shall be allocating about £50m in 1988-89 specifically for a programme of school improvements to help LEAs tackle the accumulated deficiencies identified in my Department's Survey of School Buildings and to allow voluntary school governors to continue the programme of replacement and improvement begun last year. This programme will be in addition to allocations for new school places in areas of growing school population and for the implementation of approved projects to remove surplus places. There will also be a small increase in allocations for further and higher education. LEAs already have

plans for substantial expenditure from existing provision on projects which contribute to the improvement of the school building stock.

4. The additions announced today will mean that LEAs and voluntary bodies should be able to spend a total of more than £750 million over the next three years on projects to improve school buildings; and authorities will no doubt make use of the flexibilities open to them - for example through the use of capital receipts - to increase spending on improvements still further where they consider it appropriate to do so. Provision for local authority current expenditure on repairs and maintenance is also being increased and in 1988-89 will be about £120m or some 40% higher than spending in 1985-86.

5. Finally I am taking immediate steps to deal with the most serious problems. I am issuing special capital allocations totalling £9.4m to provide for small school improvement projects and equipment purchases for schools and colleges which can be completed in the current financial year. The Government will also be considering the case for further special capital allocations to deal with storm damage to educational buildings.

#### LOCAL AUTHORITY CURRENT EXPENDITURE

6. The total provided for local authority current spending on education in 1988-89 in the Government's plans is £13,870m, a cash increase of 7.9% over the 1987-88 plans as set out in Cm 56. It represents the likely level of spending by local education authorities collectively, on the basis that they constrain their costs within the level of cost increases in the economy as a whole. In addition, the education service will receive income from the MSC in respect of TVEI and work-related NAFE of some £185m in 1988-89.

7. In the Government's view, there are areas of the service where authorities need not spend as much as provided for in the plans. The total used for determining the education component of the grant-related expenditure (GRE) has therefore been set at £615m lower than the total for expenditure provision.

8. The Government plans for local authority current spending on education provide for it to be held broadly constant in real terms in 1989-90 and 1990-91. Within the totals planned for local authority expenditure as a whole in both years the Government will review next year the distribution of provision between services, including education, in the light of local authorities' budgets, Government priorities and other factors. Appropriate transfers will be made from 1989-90 onwards for the polytechnics and colleges and for grant maintained schools which will be funded from Vote Expenditure.

#### Schools

9. The plans assume that local authorities collectively will not increase teacher numbers as long as pupil numbers continue to fall. They allow for some further fall in the overall pupil: teacher ratio, which is currently at its lowest level ever of 17.3:1.

10. In addition to the provision for improving the conditions of school buildings, the plans allow for real increases in spending per pupil on books and equipment. As last year the plans allow in full for the implications of equipping schools for the new GCSE courses, and an additional sum has been provided for secondary school libraries. As a step towards securing greater efficiency in the service, the Government expects local authorities to continue to rationalise school provision and remove surplus accommodation, and to cut the net costs of school meals provision.

### Non-advanced further education

11. The overall Student: Staff Ratio (SSR) for NAFE tightened a little in 1986 from 8.7:1 to 8.8:1, about 1%. In reaching a view on the number of lecturers, I have taken into account the report of the Joint Efficiency Study with local authority representatives which concluded that there should be a national target SSR for NAFE of 10.2:1 by 1991-92. The plans assume a further tightening in the SSR to 9.2:1 in 1988-89 as authorities progress towards that target. The plans will also enable LEAs to improve levels of provision per student across the full range of non-teaching costs.

### Advanced further education

12. Following consultation with the local authority associations, I intend to determine the AFE quantum in 1988-89 at £781 million. This represents an increase of £64.5m or 9% over the 1987-88 quantum. I have proposed that up to £25m should be distributed selectively in support of selected initiatives of high priority. The plans assume that polytechnics and other institutions will continue to increase efficiency and make full use of available capacity.

13. The National Advisory Body is considering how the basic quantum should be distributed between authorities and how up to £25m might be allocated selectively. I shall decide on the allocation of both elements later in the year in the light of the NAB's advice.

### Specific grants

14. Within the total of £13,870m, education expenditure supported by specific grants is expected to amount to some £500m in 1988-89. This figure includes £207m which I have already announced will be supported under the in-service training grants scheme; a proposed £115.5m of expenditure to be assisted by education support grants; Section 11 grants for Commonwealth immigrants; and the Urban Programme.

## VOTE EXPENDITURE

### Universities

15. Last year I agreed with the University Grants Committee and the Committee of Vice-Chancellors and Principals a programme of improvements in the management of universities including selective funding, the rationalisation of small departments, better financial management and improved standards of teaching. I made it clear that the future funding of the universities would depend significantly upon the implementation of that programme.

16. Good progress has since been made. The 1987 academic pay settlement is another important development. The £56m extra grant for 1988-89 already announced to help universities to meet the cost of that settlement will be released as soon as the Government is satisfied that the universities have sufficiently improved their arrangements for staff appraisal, probation and promotion. As I have already made clear, the Government will not provide funds for any further academic pay increase in 1988.

17. The Government has decided to provide the universities with an additional £61m in 1988-89 and similar sums in later years. I shall be asking the University Grants Committee to allocate some £155m of these extra funds to a targetted programme of restructuring including additional finance for early retirements, some "new blood" appointments, and the rationalisation of provision for a number of disciplines. In each case, I shall expect the UGC to authorize payments only where the expenditure is in accordance with the approved academic plans of the institutions concerned.

18. In 1988-89 the Open University will receive an extra £1.55m and the Computer Board an extra £2m.

19. Provision is also being made in 1988-89 and in later years for the extra cost to universities of the 1987 clinical academic pay settlement, and for an initiative in manufacturing systems engineering.

## Science

20. The Science Budget for 1988-89 will be £696m, an increase of £47m over the plans published in Cm 56. The planning figure for each of the following two years is now £729m, providing for an 11% cash increase compared with the Science Budget this year. Within these figures special provision is being made for research in Antarctica, including a new research ship. There should also be scope for a worthwhile start in 1988-89 on the establishment of inter-disciplinary research centres, as recommended by the ABRC and to which I attach great importance. The Government will be giving further consideration in the next few months to policies for the strategic reshaping of the science base, taking account of restructuring within the universities, the ABRC's Strategy Advice and of our consultations on the Board's recommendations. The totals I have announced for the Science Budget in 1988-89 and 1989-90 include provision for the MRC's special programme of research on AIDS; additional provision for this in later years will depend on the agreed evaluation of the programme but would not have to be found within the Science Budget baseline.

## Voluntary Colleges

21. Following consultations with the Voluntary Sector Consultative Council I have determined the quantum of AFE expenditure at Voluntary Colleges grant-aided solely by my Department at £56.7m. This recognises the special difficulties which these colleges have faced. It is expected to allow for some increases in student numbers; to contribute towards the maintenance of quality; and to enable the colleges to participate in selected initiatives of high priority.

## Student Awards

22. Provision for student awards allows for a small increase in the number of mandatory award-holders. Details of the new rates of award and revised contribution scales will be announced later. Provision is also made for the basic tuition fee for courses



DEPARTMENT OF  
EDUCATION AND SCIENCE

eligible for mandatory awards to increase from £556 to £578. The review, chaired by my hon Friend the Parliamentary Under Secretary of State (Mr Robert Jackson), of all aspects of financial support for students studying at first degree or equivalent level will complete its work next year, when a consultation document on future arrangements for student finance will be published.



# Home Office

## NEWS RELEASE

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(Night line 01-213 3000)

3 November 1987

### INCREASED SPENDING ON HOME OFFICE SERVICES

#### HOME OFFICE ASPECTS OF CHANCELLOR'S AUTUMN STATEMENT

The Chancellor's Autumn Statement published today announces additional provision partly offset by additional receipts and savings, to allow for further increases in police establishments, for the creation of an extra 4,200 prison places and for a variety of law and order initiatives including the crime prevention campaign.

These increases reflect the renewed priority which the Government has given to these areas. The Home Office will continue a rigorous search for value for money. Among the areas affected are:

#### Police

For 1988-89, provision is made for police establishment increases of 300 for the Metropolitan Police and 500 for provincial police forces and for additional civilian recruitment. These increases were foreshadowed in the Home Secretary's police manpower announcement on 20 May 1986, which drew attention to the increased demands of terrorism, drugs, crime and public order. Overall, there is provision for total police strength to rise to 125,113, and for civilian strength to rise to 47,722 by March 1989, compared with averages for 1987-88 of 123,275 and 46,631.

Provision for the police is increased by £240 million in 1988-89 and by £280 million in 1989-90. The provision in 1989-90 and 1990-91 will be reviewed in the light of such factors as local authority budgets and recruitment plans in 1988-89 and progress in achieving the plans for further police establishment and civilian manpower increases announced by the Home Secretary on 20 May 1986.

## Prisons

The settlement gives the Prison Service an additional £67 million in 1988-89 and £94 million in 1989-90 against baselines of respectively £777 million and £818 million. Most of the extra money will be used to make a start on the programme of creating 4,200 new prison places by 1993, as announced by the Home Secretary on 16 July this year (see separate Press Release).

## Crime Prevention

Provision has been made for crime prevention, including the new national organisation for crime prevention, which, the Home Secretary announced on 1 September, is being set up to act as a focus for local crime prevention initiatives and to promote best practices, and for a crime prevention advertising campaign.

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Total increased provision is £3 million in 1988-89 and a similar amount in 1989-90.

## Total additional provision

Provision is announced for increased Home Office spending of:

	£m	
1988-89		1989-90
360		450

This will bring Home Office spending up to £6,060 million in 1988-89 rising to £6,480 million in 1990-91.



# Home Office

## NEWS RELEASE

50 Queen Anne's Gate London SW1H 9AT  
Telephone 01-213 3030/4050/5050  
(Night line 01-213 3000)

Contact No: 213-6664

3 November 1987

### PRISON BUILDING PROGRAMME

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The existing prison building programme is designed to produce over 10,000 places at new prisons and over 7,000 at existing establishments by 1995. It is presently planned that 3,600 of the total of 4,200 extra places should be provided at 6 new prisons, with the additional accommodation at existing prisons producing 600 new places. All these additions are due to be available for use by 1993, with 1,500 places by 1990.

Work on two new prisons is scheduled to start early in 1988, using existing designs and sites already in the ownership of the Home Office. Building of two further additional prisons is planned to start in the autumn of the following year. Delivery of some of the places already in the programme will also be accelerated so that increases will be available at an early date to meet the continuing pressure on the prison system.

Speaking today the Home Secretary said:

"This Government has embarked on the largest programme of prison building and modernisation since the last century. It already has a programme of 20 prisons, of which four have now been completed and are open, four are nearing the end of construction, and four more are under construction or about to start. The additions announced

today significantly enhance that programme and are specifically designed to produce places quickly. A new Prison Building Board will bring private sector knowledge and expertise directly to bear on the prison building programme and will ensure that it is driven forward with fresh energy and commitment. I hope to announce the membership of the Board within the next few weeks. I am determined that the management and execution of the programme should be based on the most up-to-date and effective techniques available and that the new places will be produced faster than ever before".

Much of the prison estate dates back to the last century - town and county jails and houses of correction - and was inherited by the Prison Commissioners when the State took over running the prison system in 1877.

Many other establishments were former service camps and have been converted to prison use since the late 1950s. No purpose built prison establishment was built between 1918 and 1958.

**NOTE FOR EDITORS**

The revised programme of new prisons is attached.

THE EXISTING NEW PRISON  
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WOOLWICH	LOCAL PRISON	850	1992
LANCASTER FARMS	YOUTH CUSTODY CENTRE	360	1992
MILTON KEYNES	LOCAL PRISON	544	1992
DONCASTER	LOCAL PRISON	720	1993
ASHFORD	LOCAL PRISON	600	1993
GREATER MANCHESTER	LOCAL PRISON	600	1994
WREXHAM	CATEGORY C	600	1994
BUCKLEY HALL	YOUTH CUSTODY CENTRE	300	1994
BANSTEAD	LOCAL PRISON	800	1995

PRESENT PLANS FOR  
FURTHER PRISONS

Name	Type of Estab- -lishment	No of Places	Ready for Occupation
(NEW SITE 1)	LOCAL PRISON	612	1990
(NEW SITE 2)	LOCAL PRISON	612	1990/91
(NEW SITE 3)	TYPE & LOCATION TO BE DECIDED		1992
(NEW SITE 4)	TYPE & LOCATION TO BE DECIDED		1992
(NEW SITE 5)	TYPE & LOCATION TO BE DECIDED		1992
(NEW SITE 6)	TYPE & LOCATION TO BE DECIDED		1993

Final decisions about these further prisons have still to be taken.



Pay

LORD CHANCELLOR'S DEPARTMENT

## PRESS NOTICE

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87.115

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[These figures represent net increases of £20m p.a. over previous plans for 1988-89 and 1989-90.]

These figures reflect increased provision for both Court Services and legal aid in England and Wales. This demonstrates the Government's commitment to the law and order programme in the face of continuing growth in all areas of business. Current plans are based on expected increases in workload of approximately 6% p.a. in the Crown Court and 3% p.a. in the civil courts.

The overall objectives are to stabilise, and if possible reduce, waiting times for trial in the Crown Court and to keep delays in the civil courts to a minimum. The achievement of these objectives is dependant on continuing productivity increases in both criminal



and civil courts and the completion of policy initiatives such as the Civil Justice Review, one of whose objectives is to achieve greater efficiency and effectiveness in the handling of civil business.

This provision also reflects the Lord Chancellor's enhanced responsibilities for capital projects management after 1st April 1988. The main thrust of this will be on the provision of sufficient courtroom accommodation to help achieve the objectives above.

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# ENVIRONMENT

## NEWS RELEASE

440

3 November 1987

### PUBLIC EXPENDITURE PROGRAMME

Nicholas Ridley, Secretary of State for the Environment, today gave details of his Department's elements of the public expenditure plans for 1988/89 and later years.

In Answer to a written Parliamentary Question by John Heddle MP, (Mid Staffs), Mr Ridley said:

"My Rt Hon Friend, the Chancellor of the Exchequer has today announced the Government's public expenditure plans for the next three years. The tables below gives details of the major changes in my Department's programmes. Because of increased receipts I have been able to provide for significant increases in gross expenditure, particularly for housing, the inner cities and the environment without increasing net expenditure.

#### HOUSING

"There is a substantial increase in gross provision for housing capital expenditure in 1988/89. At £3,827 million, this is £384 million (11%) higher than previously planned and £159 million higher than the estimated outturn for 1987/88. In 1989/90 there will be an increase of £284 million on previous plans. Increases on this scale have been made possible by the continuing success of the Right to Buy, and by disposals of new towns land for housing. Capital receipts are now expected to yield more than £2 billion in each of the next three years.

"Within the total available for capital investment I have allocated resources in accordance with the priorities outlined in the White Paper 'Housing: the Government's proposals' (Cm 214). Gross provision for the Housing Corporation will increase by nearly £50 million in 1988/89, and by 1990/91 will be £145 million higher than expected out turn in 1987/88. I hope that these extra public resources will increasingly be augmented by private finance under mixed funding arrangements.

"While housing associations will have an increasing share of the provision of new social housing for rent, I have made substantial additional provision for local authorities to enable them to spend more on renovation of their existing stock. Gross provision for local authority capital spending in 1988/89 will be £3,048 million, an increase of £313 million on previous plans and of £128 million on estimated out turn for 1987/88.

"As local authority spending power from receipts continues to increase, the borrowing consent represented by capital allocations declines in importance. Nevertheless, basic Housing Investment Programme and Homes Insulation Scheme allocations will remain at a high level in 1988/89: at £1150 million they will stand at around 90% of this year's.

"Additional allocations will again be made to local authorities to revitalise rundown estates under the Department's Estate Action programme. The resources available will nearly double, to £140 million.

"Additionally, over the three Survey years I am making available a total of £125 million for Housing Action Trusts so that they can renovate some of the worst estates of run-down local authority housing, and pass it on to new forms of ownership and management.

"Housing investment by New Towns is increasingly confined to the servicing of sites for development by the private sector. Gross provision in each of the next three years has been increased to support this activity and is more than financed by increased proceeds from disposals.

"Because of the continuing high level of receipts it will be possible to achieve the higher levels of gross provision for capital investment I have outlined without any increase in the overall net Housing programme totals already planned. The figures are given in the table below. Compared with expected out turn in 1987/88 the overall planned level of net expenditure in 1988/89 shows an increase of £498 million (20%).

#### OTHER ENVIRONMENTAL SERVICES

"I continue to give very high priority to the inner cities. The Urban Development Corporations have proven their worth in bringing effective help to the areas of greatest need, drawing on the resources and expertise of the private sector, and I am increasing planned resources by £65 million in 1988/89, and £68 million in 1989/90. Total resources for UDCs will now be more than £200 million in each of the next 3 years. This will enable us to maintain the momentum of the corporations in London and Merseyside, to secure the successful launch of the four new UDCs established this year (in Trafford Park, Teesside, Tyne and Wear and the Black Country) and to press ahead with further initiatives.

"Despite the increased emphasis on UDCs I am still continuing to provide substantial resources, nearly £300 million a year, for the other parts of my Urban group: the Urban Programme (including Urban Development Grant and Urban Regeneration Grant) and Derelict Land Grant.

"I am also increasing resources for the countryside, environment, recreation and heritage. The Development Commission, Nature Conservancy Council, Countryside Commission and Sports Council will receive increased financial support. In addition the National Heritage Memorial Fund will receive an additional £20 million capital injection in 1987/88.

"Provision for gross capital expenditure in 1988/89 on local environmental services has been increased by £60 million to £627 million.

"The increases in gross expenditure in the Other Environmental Services programme for 1988/89 have been more than offset by substantial increases in forecast receipts to local authorities and the New Towns. This reflects in particular the success of the New Town bodies' programme of disposals as the private sector takes an increasingly prominent role in the future of the towns.

#### WATER

"I am reducing slightly the borrowing limit for the water authorities by £9 million in 1988/89. Water authorities continue to reduce real operating costs and this, taken with increased profitability, will enable them to finance large increases in investment proposed in their 1987 Corporate Plans. Capital expenditure has already grown in real terms by 40% since 1980/81 and is currently running at about £1 billion. Further major growth is now assured in programmes to improve water and sewage treatment and to renew underground assets.

"The British Waterways Board External Financing Limit (EFL) is to increase by £1.6 million in each year.

#### PROPERTY SERVICES AGENCY (PSA)

"PSA's civil accommodation programme in net terms is planned to decrease by £22 million in 1988/89 and by £59 million in 1989/90. But, because disposal and Property Repayment Services (PRS) receipts are expected to increase substantially, expenditure is planned to increase by £63 million and £78 million respectively in the next two years. After meeting increases on rents to be paid to landlords and other unavoidable expenditure, the Agency should be able to allocate sufficient funds to the maintenance of the civil estate in 1988/89 to prevent further build up of the backlog of work. In the following year the Agency should be able to make inroads into this backlog.

#### OVERALL LOCAL AUTHORITY EXPENDITURE, ENGLAND

"I proposed on 23 July that provision for local authority relevant current expenditure for 1988/89 should be increased by £838 million to £27,538 million and that aggregate Exchequer grant should be £13,775 million, an increase of £750 million compared to 1987/88. I am consulting local government about my proposals for the 1988/89 Rate Support Grant settlement.

"As regards local authority capital expenditure overall, gross provision for the main local authority cash limit DOE/LA1 in 1988/89 has been increased by £500 million. Because of authorities' continuing success in increasing their capital receipts, this has not required an increase in net provision. The revised plans allow for gross spending on the five services covered by the cash limit (housing, education, transport, personal social services and other services) of nearly £5.2 billion.

"The very high level of receipts being generated by authorities in 1987/88, which is leading to an underspend against the net cash limit, will add to the growth in accumulated receipts and hence will lead to a further increase in the spending power from receipts next year. Despite this, the increase that has been agreed for gross provision means that the allocations available for the services across the cash limit in 1988/89 should be broadly equal to allocations issued for the present year."

Press Enquiries: 01 212 3496/7539/8236/4686/5113

(out of hours: 01 212 7132)

Public Enquiries: 01 212 3434

(ask for Public Enquiries Unit)

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## DEPARTMENT OF THE ENVIRONMENT - HOUSING

	1987-88	1988-89		1989-90		1990-91
	ESTIMATED OUTTURN	PREVIOUS PLAN	REVISED PLAN	PREVIOUS PLAN	REVISED PLAN	PLAN
<b>CAPITAL</b>						
Gross Expenditure						
Central Government						
Housing Corporation	705	686	735	682	775	850
Other Central Government	3	5	4	5	5	5
Local Authorities	2920	2735	3048	2779	2908	2808
Public Corporations						
Housing Action Trusts	0	0	5	0	50	70
New Towns	41	18	35	18	30	30
<b>Total Gross Expenditure</b>	<b>3668</b>	<b>3444</b>	<b>3827</b>	<b>3484</b>	<b>3768</b>	<b>3763</b>
<b>Receipts</b>						
Central Government						
Housing Corporation	-71	-70	-80	-71	-80	-90
Other Central Government	-3	-2	-2	-2	-2	-2
Local Authorities	-2315	-1581	-1876	-1581	-1915	-1923
Public Corporations						
New Towns	-112	-29	-110	-29	-80	-70
<b>Total Receipts</b>	<b>-2501</b>	<b>-1682</b>	<b>-2068</b>	<b>-1683</b>	<b>-2077</b>	<b>-2084</b>
<b>Net Capital</b>						
Central Government						
Housing Corporation	634	616	655	611	695	760
Other Central Government	0	3	2	3	3	3
Local Authorities	605	1154	1172	1198	993	885
Public Corporations						
Housing Action Trusts	0	0	5	0	50	70
New Towns	-72	-11	-75	-11	-50	-40
<b>Total Net Capital</b>	<b>1167</b>	<b>1762</b>	<b>1759</b>	<b>1801</b>	<b>1691</b>	<b>1679</b>
<b>Total Current</b>	<b>1353</b>	<b>1271</b>	<b>1259</b>	<b>1306</b>	<b>1312</b>	<b>1364</b>
<b>TOTAL DOE HOUSING</b>	<b>2520</b>	<b>3032</b>	<b>3018</b>	<b>3107</b>	<b>3003</b>	<b>3043</b>



## DOE OTHER ENVIRONMENTAL SERVICES

f million - sums may  
not total due to  
rounding.

		1987-88 FORECAST OUTTURN	1988-89 PREVIOUS PLAN      REVISED PLAN		1989-90 PREVIOUS PLAN      REVISED PLAN		1990-91 PLAN
1	Urban Group						
	(1) Urban Programme*	227	231	221	230	221	222
	(2) Urban Development Corporations of which:	133	138	203	147	215	223
	(a) LDDC/MDC	111	108	108	147	215	223
	(b) New UDCs	22	30	95			
	(3) Derelict land reclamation	81	81	76	81	76	76
2	New Towns						
	Gross**	87	61	81	50	65	60
	Receipts	-335	-131	-311	-134	-175	-150
	Net	-248	-70	-230	-83	-109	-90
3	Countryside, Recreation and Environment						
	(1) Development Commission and support for industry	28	27	32	27	33	32
	(2) Countryside, Recreation, & Environment Bodies	105	105	110	106	112	114
	(3) Environmental Research	26	30	31	32	32	33
4	Heritage						
	(1) Royal palaces, royal parks and Royal Armouries	41	41	44	42	46	45
	(2) Historic buildings, ancient monuments and national heritage***	93	73	74	75	75	77
5	Water						
	(1) British Waterways Board EFL	45	45	47	46	48	49
	(2) Regional Water Auth- orities EFLs	3	-11	-20	-58	-74	-94
	(3) Civil Defence	2	3	3	4	4	4
	(4) Other Water Services	2	2	1	2	1	1
6	Departmental Administration	113	116	128	119	123	122
7	Local Environmental Services						
	(1) Capital	890	567	627	581	627	627
	Gross	-550	-390	-542	-399	-542	-542
	Receipts	340	177	85	182	85	85
	Net						
	(2) Current****	2841	2694	2800	2762	2898	2984
8	Other local authority current						
	(1) Local authority rate collection	176	177	185	182	191	197
	(2) Records and registration of births, deaths and marriages	17	17	25	18	26	27
Programme total		4025	3876	3815	3914	4004	4107

\* Includes capital and current expenditure, DOE element only. Total UP provision (all departments) for 1988-89 is f314m.

\*\* Includes f4m for Letchworth Garden City Corporation in 1987-88.

\*\*\* Includes f20m additional funding for NHMF in 1987-88.

\*\*\*\* Excludes Urban Programme current expenditure.

PSA CIVIL ACCOMODATION

	1987-88	1988-89		1989-90		1990-91
	FORECAST OUTTURN	PREVIOUS PLAN	REVISED PLAN	PREVIOUS PLAN	REVISED PLAN	PLAN
Expenditure (1)	500	476	539	486	564	598
Receipts (2)	-575	-575	-660	-587	-724	-758
Net	-75	-99	-121	-101	-160	-160

Notes:

(1) Capital expenditure, maintenance, rents and administration.

(2) PRS and disposal receipts.

# OVERSEAS

# DEVELOPMENT

**NEWS RELEASE ~ Press Office 01-213 4909**

Overseas Development Administration, Eland House, Stag Place, London SW1E 5DH

3 November 1987

## REAL VALUE OF OVERSEAS AID PLANNED TO INCREASE

The overseas aid budget, which this financial year stands at £1,235 million, will rise to £1,305 million in 1988/89 and to £1,375 million and £1,420 million in the two following years. This represents an increase of £30 million in 1988/89 and £60 million in 1989/90, compared to the figures contained in the 1987 Public Expenditure White Paper. The cost of the Chancellor's debt initiative for the poorest and most heavily indebted sub-Saharan African countries would be additional to these sums.

The overall amount available for spending on overseas aid in 1988/89 will be about £1,375 million, after adding to the overseas aid budget repayments due on past aid loans.

Commenting on these figures, Mr Christopher Patten MP, Minister for Overseas Development, said today: "These substantial increases mean that the aid programme will now be growing in real terms over the next three years. This is a recognition of our ability to afford a larger aid budget and of the value of an effective aid programme both to developing countries and Britain."



LORD CHANCELLOR'S DEPARTMENT

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87.115

3 November 1987

### AUTUMN STATEMENT REFLECTS PLANS TO RESPOND TO CONTINUING GROWTH IN THE WORKLOAD OF THE COURTS.

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These figures reflect increased provision for both Court Services and legal aid in England and Wales. This demonstrates the Government's commitment to the law and order programme in the face of continuing growth in all areas of business. Current plans are based on expected increases in workload of approximately 6% p.a. in the Crown Court and 3% p.a. in the civil courts.

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# Home Office

## NEWS RELEASE

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3 November 1987

### INCREASED SPENDING ON HOME OFFICE SERVICES

#### HOME OFFICE ASPECTS OF CHANCELLOR'S AUTUMN STATEMENT

The Chancellor's Autumn Statement published today announces additional provision partly offset by additional receipts and savings, to allow for further increases in police establishments, for the creation of an extra 4,200 prison places and for a variety of law and order initiatives including the crime prevention campaign.

These increases reflect the renewed priority which the Government has given to these areas. The Home Office will continue a rigorous search for value for money. Among the areas affected are:

#### Police

For 1988-89, provision is made for police establishment increases of 300 for the Metropolitan Police and 500 for provincial police forces and for additional civilian recruitment. These increases were foreshadowed in the Home Secretary's police manpower announcement on 20 May 1986, which drew attention to the increased demands of terrorism, drugs, crime and public order. Overall, there is provision for total police strength to rise to 125,113, and for civilian strength to rise to 47,722 by March 1989, compared with averages for 1987-88 of 123,275 and 46,631.

Provision for the police is increased by £240 million in 1988-89 and by £280 million in 1989-90. The provision in 1989-90 and 1990-91 will be reviewed in the light of such factors as local authority budgets and recruitment plans in 1988-89 and progress in achieving the plans for further police establishment and civilian manpower increases announced by the Home Secretary on 20 May 1986.

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WOOLWICH	LOCAL PRISON	850	1992
LANCASTER FARMS	YOUTH CUSTODY CENTRE	360	1992
MILTON KEYNES	LOCAL PRISON	544	1992
DONCASTER	LOCAL PRISON	720	1993
ASHFORD	LOCAL PRISON	600	1993
GREATER MANCHESTER	LOCAL PRISON	600	1994
WREXHAM	CATEGORY C	600	1994
BUCKLEY HALL	YOUTH CUSTODY CENTRE	300	1994
BANSTEAD	LOCAL PRISON	800	1995

PRESENT PLANS FOR  
FURTHER PRISONS

Name	Type of Estab- -lishment	No of Places	Ready for Occupation
(NEW SITE 1)	LOCAL PRISON	612	1990
(NEW SITE 2)	LOCAL PRISON	612	1990/91
(NEW SITE 3)	TYPE & LOCATION TO BE DECIDED		1992
(NEW SITE 4)	TYPE & LOCATION TO BE DECIDED		1992
(NEW SITE 5)	TYPE & LOCATION TO BE DECIDED		1992
(NEW SITE 6)	TYPE & LOCATION TO BE DECIDED		1993

Final decisions about these further prisons have still to be taken.



DEPARTMENT OF  
**EDUCATION AND SCIENCE**

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**NEWS** 321/87

NOVEMBER 3 1987

KENNETH BAKER ANNOUNCES AN EXTRA £1.3 BILLION FOR EDUCATION AND SCIENCE

IN 1988-89

Education Secretary Kenneth Baker today announced that expenditure on education and science in 1988-89 would total £17,962m - an increase of £1,303m or nearly eight per cent over plans for the current year.

Mr Baker told the House of Commons that the increases include:

- planned local authority current expenditure up by £1,020m, or 7.9 per cent over plans for 1987-88;
- provision for capital expenditure on schools and colleges up by £100m - 22 per cent - next year and for each of the following two years;
- a £155m restructuring programme for the universities, including provision for 'new blood' posts; and
- a Science Budget of £696m in 1988-89, an increase of £47m on earlier plans.

In a written Parliamentary answer to a Question from James Pawsey, MP for Rugby and Kenilworth, who asked if the Secretary of State would make a statement about the Government's plans for expenditure on education and science, Mr Baker said:

## PUBLIC SPENDING ON EDUCATION AND SCIENCE

1. As my right hon Friend the Chancellor of the Exchequer announced in his statement today, provision for education and science in 1988-89 will be £17,962m. This total is £1,303m or 7.8% higher than provision for 1987-88.

2. Subject to Parliament's approval of the necessary legislation, additional resources are being provided to enable the Government to implement its proposals for education reform. About £65m over 3 years will be provided to fund work in support of the Government's proposals for a national curriculum, particularly that of the National Curriculum Council and the School Examinations and Assessment Council. £9 million is being made available in 1988/89 to enable polytechnics and colleges to assume responsibility for managing their own affairs. In higher education the resources available should be sufficient to provide for at least the numbers of students projected in the Government's White Paper "Meeting the Challenge" (Cm 114) - Projection Q. In addition I am making provision for a substantial programme for the improvement of school buildings. Further details of my plans are set out below.

### BUILDINGS AND EQUIPMENT FOR SCHOOLS AND COLLEGES

3. Gross provision for capital spending on schools and colleges has been increased by £100m a year - or 22% - over the Survey period. Within this provision I shall be allocating about £50m in 1988-89 specifically for a programme of school improvements to help LEAs tackle the accumulated deficiencies identified in my Department's Survey of School Buildings and to allow voluntary school governors to continue the programme of replacement and improvement begun last year. This programme will be in addition to allocations for new school places in areas of growing school population and for the implementation of approved projects to remove surplus places. There will also be a small increase in allocations for further and higher education. LEAs already have

plans for substantial expenditure from existing provision on projects which contribute to the improvement of the school building stock.

4. The additions announced today will mean that LEAs and voluntary bodies should be able to spend a total of more than £750 million over the next three years on projects to improve school buildings; and authorities will no doubt make use of the flexibilities open to them - for example through the use of capital receipts - to increase spending on improvements still further where they consider it appropriate to do so. Provision for local authority current expenditure on repairs and maintenance is also being increased and in 1988-89 will be about £120m or some 40% higher than spending in 1985-86.

5. Finally I am taking immediate steps to deal with the most serious problems. I am issuing special capital allocations totalling £9.4m to provide for small school improvement projects and equipment purchases for schools and colleges which can be completed in the current financial year. The Government will also be considering the case for further special capital allocations to deal with storm damage to educational buildings.

#### LOCAL AUTHORITY CURRENT EXPENDITURE

6. The total provided for local authority current spending on education in 1988-89 in the Government's plans is £13,870m, a cash increase of 7.9% over the 1987-88 plans as set out in Cm 56. It represents the likely level of spending by local education authorities collectively, on the basis that they constrain their costs within the level of cost increases in the economy as a whole. In addition, the education service will receive income from the MSC in respect of TVEI and work-related NAFE of some £185m in 1988-89.

7. In the Government's view, there are areas of the service where authorities need not spend as much as provided for in the plans. The total used for determining the education component of the grant-related expenditure (GRE) has therefore been set at £615m lower than the total for expenditure provision.

8. The Government plans for local authority current spending on education provide for it to be held broadly constant in real terms in 1989-90 and 1990-91. Within the totals planned for local authority expenditure as a whole in both years the Government will review next year the distribution of provision between services, including education, in the light of local authorities' budgets, Government priorities and other factors. Appropriate transfers will be made from 1989-90 onwards for the polytechnics and colleges and for grant maintained schools which will be funded from Vote Expenditure.

#### Schools

9. The plans assume that local authorities collectively will not increase teacher numbers as long as pupil numbers continue to fall. They allow for some further fall in the overall pupil: teacher ratio, which is currently at its lowest level ever of 17.3:1.

10. In addition to the provision for improving the conditions of school buildings, the plans allow for real increases in spending per pupil on books and equipment. As last year the plans allow in full for the implications of equipping schools for the new GCSE courses, and an additional sum has been provided for secondary school libraries. As a step towards securing greater efficiency in the service, the Government expects local authorities to continue to rationalise school provision and remove surplus accommodation, and to cut the net costs of school meals provision.

### Non-advanced further education

11. The overall Student: Staff Ratio (SSR) for NAFE tightened a little in 1986 from 8.7:1 to 8.8:1, about 1%. In reaching a view on the number of lecturers, I have taken into account the report of the Joint Efficiency Study with local authority representatives which concluded that there should be a national target SSR for NAFE of 10.2:1 by 1991-92. The plans assume a further tightening in the SSR to 9.2:1 in 1988-89 as authorities progress towards that target. The plans will also enable LEAs to improve levels of provision per student across the full range of non-teaching costs.

### Advanced further education

12. Following consultation with the local authority associations, I intend to determine the AFE quantum in 1988-89 at £781 million. This represents an increase of £64.5m or 9% over the 1987-88 quantum. I have proposed that up to £25m should be distributed selectively in support of selected initiatives of high priority. The plans assume that polytechnics and other institutions will continue to increase efficiency and make full use of available capacity.

13. The National Advisory Body is considering how the basic quantum should be distributed between authorities and how up to £25m might be allocated selectively. I shall decide on the allocation of both elements later in the year in the light of the NAB's advice.

### Specific grants

14. Within the total of £13,870m, education expenditure supported by specific grants is expected to amount to some £500m in 1988-89. This figure includes £207m which I have already announced will be supported under the in-service training grants scheme; a proposed £115.5m of expenditure to be assisted by education support grants; Section 11 grants for Commonwealth immigrants; and the Urban Programme.



## VOTE EXPENDITURE

### Universities

15. Last year I agreed with the University Grants Committee and the Committee of Vice-Chancellors and Principals a programme of improvements in the management of universities including selective funding, the rationalisation of small departments, better financial management and improved standards of teaching. I made it clear that the future funding of the universities would depend significantly upon the implementation of that programme.

16. Good progress has since been made. The 1987 academic pay settlement is another important development. The £56m extra grant for 1988-89 already announced to help universities to meet the cost of that settlement will be released as soon as the Government is satisfied that the universities have sufficiently improved their arrangements for staff appraisal, probation and promotion. As I have already made clear, the Government will not provide funds for any further academic pay increase in 1988.

17. The Government has decided to provide the universities with an additional £61m in 1988-89 and similar sums in later years. I shall be asking the University Grants Committee to allocate some £155m of these extra funds to a targetted programme of restructuring including additional finance for early retirements, some "new blood" appointments, and the rationalisation of provision for a number of disciplines. In each case, I shall expect the UGC to authorize payments only where the expenditure is in accordance with the approved academic plans of the institutions concerned.

18. In 1988-89 the Open University will receive an extra £1.55m and the Computer Board an extra £2m.

19. Provision is also being made in 1988-89 and in later years for the extra cost to universities of the 1987 clinical academic pay settlement, and for an initiative in manufacturing systems engineering.

## Science

20. The Science Budget for 1988-89 will be £696m, an increase of £47m over the plans published in Cm 56. The planning figure for each of the following two years is now £729m, providing for an 11% cash increase compared with the Science Budget this year. Within these figures special provision is being made for research in Antarctica, including a new research ship. There should also be scope for a worthwhile start in 1988-89 on the establishment of inter-disciplinary research centres, as recommended by the ABRC and to which I attach great importance. The Government will be giving further consideration in the next few months to policies for the strategic reshaping of the science base, taking account of restructuring within the universities, the ABRC's Strategy Advice and of our consultations on the Board's recommendations. The totals I have announced for the Science Budget in 1988-89 and 1989-90 include provision for the MRC's special programme of research on AIDS; additional provision for this in later years will depend on the agreed evaluation of the programme but would not have to be found within the Science Budget baseline.

## Voluntary Colleges

21. Following consultations with the Voluntary Sector Consultative Council I have determined the quantum of AFE expenditure at Voluntary Colleges grant-aided solely by my Department at £56.7m. This recognises the special difficulties which these colleges have faced. It is expected to allow for some increases in student numbers; to contribute towards the maintenance of quality; and to enable the colleges to participate in selected initiatives of high priority.

## Student Awards

22. Provision for student awards allows for a small increase in the number of mandatory award-holders. Details of the new rates of award and revised contribution scales will be announced later. Provision is also made for the basic tuition fee for courses

eligible for mandatory awards to increase from £556 to £578. The review, chaired by my hon Friend the Parliamentary Under Secretary of State (Mr Robert Jackson), of all aspects of financial support for students studying at first degree or equivalent level will complete its work next year, when a consultation document on future arrangements for student finance will be published.

# PRESS NOTICE

## Department of Employment

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242/87

November 3, 1987

### DEPARTMENT OF EMPLOYMENT GROUP EXPENDITURE

The public expenditure figures for the Department of Employment Group are published today.

The Rt Hon Norman Fowler, Secretary of State for Employment, said:

"Total provision for the Department of Employment Group in 1988/89 is broadly unchanged at £4250m, rising to £4360m in 1990/91.

"Unemployment has now fallen for 15 successive months and by a record 400,000 over the last year, with particularly significant reductions in unemployment among young people. I am therefore taking this opportunity to reassess priorities, particularly in the employment and training area and I am carrying out a review of adult training.

"The top priority must be to tackle long term unemployment both through The Employment Service and the Manpower Services Commission's programmes. In The Employment Service Restart counselling will be available for all people who have been unemployed for six months and at six monthly intervals thereafter. Provision is also being made for a further expansion of Jobclubs.

"The Manpower Services Commission will continue to expand the new Job Training Scheme and will improve the training provided within the Community Programme for long term unemployed people. The development of these programmes will help us to meet our manifesto commitments to guarantee opportunities for all 18-25 year olds who have been unemployed for six to 12 months and to aim to provide more opportunities for those under 50 who have been unemployed for over two years.

"Expenditure on YTS is being increased to give effect to the guarantee of a place for all unemployed 16 and 17 year olds. A measure of the growing success of YTS is that school leaver unemployment was at its lowest this September than in any September for 13 years.

"As part of this reordering of priorities, it has been decided that the Job Release Scheme and the New Workers Scheme will be closed for applications on 31 January 1988. The coverage of the Job Release Scheme has been in decline for some time, from a peak of 95,000 to the current figure of 20,000. Take-up of the New Workers Scheme has been disappointing and has now dropped to 18,000. Neither scheme specifically helps the long term unemployed and neither involves any training. I have therefore decided that the resources devoted to these programmes can be better used on other programmes which provide training for unemployed people.

"There will be further increases in the Department's assistance for small firms and tourism to support the continued growth of employment in these important and expanding sectors.

"The Health and Safety Commission are getting a substantial increase on the previously planned cash provision for 1988/89 which was itself an increase on the 1987/88 expenditure. This means they will be fully able to maintain their inspection standards."

#### NOTES TO EDITORS

##### Job Release Scheme

All existing applications will be considered but new applications can only be considered:

- if the proposed date of early retirement is no later than 31 January 1988. Applications should be made in the normal way and should be sent to the appropriate Employment Measures Unit at least 3 weeks before the date of early retirement.

- in exceptional circumstances, if the proposed date of early retirement is after 31 January but no later than 31 March 1988, provided the application is received by the Employment Measures Unit by 17 November 1987.

All applications must meet the Scheme conditions and acceptance cannot be guaranteed.

#### New Workers Scheme

Applications can be considered under the New Workers Scheme only if the job to be supported starts on or before 31 January 1988 and all other conditions are met. Applications must be received at the appropriate Employment Measures Unit within 13 weeks of the date the job started.

**PRESS  
RELEASE**

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87/386

3 November 1987

SOCIAL SECURITY SPENDING

John Moore, Secretary of State for Social Services, today commented on increases in planned expenditure on social security benefits announced in the Chancellor's Autumn Statement. He also announced, in answer to a Parliamentary Question, changes to National Insurance contributions which will take effect from 6 April 1988. Mr. Moore said:

"Total expenditure on social security in 1988/89 is to be about £48 1/2 billion - about £1 billion higher than the estimate in the Public Expenditure White Paper at the beginning of this year. This reflects increases in the number of people claiming benefits, particularly lone parents and sick and disabled people, and the agreement to raise benefits to protect income support claimants against the cost of their 20 per cent contribution to rates.

"All retirement pensions, other contributory benefits, benefits for the disabled and similar benefits will be increased to maintain their value. Since 1979, pensioners' incomes have grown on average twice as fast as for the population as a whole, as a result of our record on retirement pension upratings, our success in controlling inflation, and the growth in occupational pensions. Sick and disabled people claiming income support will gain an average of £5 a week as a result of the new disability premium. I am directing an additional £320m to families in greatest need, through the family premium and the new family credit scheme. Thus, we will be increasing, not reducing, the overall level of resources devoted to families with children.

[MORE]

"There will be no increase in National Insurance standard contribution rates next year for either employers or employees. This will be the fifth successive year that we have held the rates at the same level, although the lower and upper earnings limits will be raised in the usual way. Since October 1985 there have been substantial reductions in contribution rates for lower paid people and their employers and next April we will again increase the thresholds below which those reduced rates apply."

In reply to a parliamentary question today from Mr Eric Forth, MP for Mid-Worcestershire, Mr Moore said

#### Employer and Employees

As my Right Hon. Friend the Chancellor of the Exchequer said in his statement earlier today, I do not propose to raise the standard rate of contributions for either employees or employers, which remain at 9% and 10.45% respectively. 1988-89 will be the fifth successive year when these rates have remained unchanged.

In line with the requirements of the Social Security Pensions Act 1975, the Lower Earnings Limit for Class 1 contributions is to be raised to £41 per week, which is just below the basic retirement pension rate for a single person, as announced to the House on October 27. The Upper Earnings Limit is to be raised to £305 per week, which is a little less than 7.5 times the new basic pension rate. The new earnings limits replace the current ones of £39 and £295 respectively.

The reduced contribution rates for the lower paid will continue unchanged. The reduced rates of 5% and 7% for employees, and 5%, 7% and 9% for employers will be extended further; they will now apply to weekly earnings which fall below the ceilings of £70, £105, and for employers only, £155 (the previous ceilings were £65, £100 and £150 respectively).

#### Not Contracted-out Employers and Their Employees

Neither the employee nor his employer will have to pay any contributions if his earnings are less than £41 per week. For people earning between £41 and £295 (the former upper earnings limit) there will be no increase for either the employee or the employer. In fact, owing to the increase in the earnings ceilings for the reduced contribution rates, some lower paid

(More)



employees will pay a slightly smaller contribution, as will their employers. For those employees with earnings above £295 per week, the maximum possible increase will be 90 pence per week. There will be no corresponding increase for employers since there is no Upper Earnings Limit for their contributions.

#### Contracted-out Employers and Their Employees

Contributions payable by some contracted-out employees and their employers will rise slightly, partly as a result of the lower contracted-out rebate which Parliament approved in April, and which will take effect in April 1988. Where earnings are less than the former Upper Earnings Limit of £295 per week, the increase will reflect both the reduced rebate and the fact that the increase in the Lower Earnings Limit increases the band of earnings on which the non-contracted-out contribution rates are paid. Some lower paid contracted-out employees, and their employers, will in fact have their contributions reduced as a result of the higher earnings ceilings for the reduced contribution rates.

Contracted-out employees with earnings above the old Upper Earnings Limit (£295) will pay a maximum of £1.12 a week extra, and employers will pay a maximum of 46 pence per week extra.

#### Self Employed People

The flat rate Class 2 contribution will be raised to £4.05 per week.

The rate of Class 4 contributions will not be increased. The annual limits of profits between which Class 4 contributions are paid will be raised to £4,750 and £15,860 from £4,590 and £15,340 respectively.

For those self-employed people with profits between £4,750 and £15,340 (the former upper profits limit) Class 4 contributions will be reduced by £10.08 per year in 1988-89 assuming an unaltered level of profits. For those self-employed people with profits at or above the proposed upper profits limit of £15,860 in 1988-89, annual Class 4 contributions will be £22.68 higher.

#### Class 3 (Voluntary) Contributions

The rate of Class 3 contributions be raised to £3.95 per week.

(More)

## Treasury Supplement

The Treasury Supplement to the National Insurance Fund will be reduced from 7% to 5% with effect from April 1988.

## Employment Protection Allocation

There will be no Employment Protection Allocation for 1988/89 - currently the rates are 0.07% for employees and 0.06% for employers.

## National Health Service Allocation

The allocation to the National Health Service, currently 0.85% for employees and 0.7% for employers, will be increased to 0.95% and 0.8% respectively from April 1988.

The draft Orders and the contributions amendment Regulations, which are required to give effect to my proposals, together with the Government Actuary's report on their effect on the National Insurance Fund, will be laid before the House shortly.

## Note For Editors

Tables A1 and A2 attached set out the changes proposed for 1988-89, and Table B1 shows their effect, together with the effect of the changed contracted-out rebate, on individual liability on a range of earnings between £39 per week (the current lower Earnings Limit) and £305 per week (the proposed Upper Earnings Limit for employees). Detailed estimates of the yield of National Insurance Contributions will be included in the Government Actuary's report on the draft of the Social Security (Contributions Re-rating) (No 2) Order 1987 which will be published shortly.

The Class 1 and Class 4 standard contribution rates will not be changed, but the Lower Earnings Limit for Class 1 contributions will be increased to £41, to maintain its mandatory relationship with the basic pension rate. The Upper Earnings Limit will be raised to £305.

As Class 1 rates are not to be changed, most not-contracted-out employees will not be affected. Some people's contributions will fall; the higher Lower Earnings Limit means that weekly earnings which total more than £39 (the existing limit) but less than £41 (the proposed limit) will no longer attract

(More)

contributions. Higher earnings ceilings for the reduced contribution rates will also cut some people's contributions. However employees earning more than £295 per week (the existing Upper Earnings Limit) will pay contributions on the next £10 of earnings from next April (ie up to £305 per week, the new Upper Earnings Limit), a maximum increase of 90 pence per week. There is no Upper Earnings Limit for employers' contributions.

Where employees are members of contracted-out pension schemes, they will pay slightly more National Insurance Contributions, because of the increased Lower Earnings Limit. This arises because the contracted-out rebate on contributions paid by such employees and their employers applies only to that portion of earnings between the Lower and Upper Earnings Limit. The contracted-out rebate will therefore cease to apply to weekly earnings between £39 and £41.

These employees will also pay more National Insurance Contributions because Parliament has reduced the contracted-out rebate from 2.15% to 2.00% for employees' contributions and from 4.1% to 3.8% for employers' contributions. These changes take effect from April 1988 at the same time as the re-rating proposals. Employees earning at or above £305 per week (the proposed Upper Earnings Limit) will pay an extra £1.12 per week in National Insurance Contributions, of which 72 pence arises from the re-rating decisions, and 40 pence from the reduced contracted-out rebate. Employers with contracted-out employees earning more than the proposed upper earnings limit (£305) will pay an extra 46 pence extra.

The Class 2 rate will be raised from £3.85 to £4.05 and the Voluntary Class 3 rate from £3.75 to £3.95. The Lower and Upper Profits Limits for Class 4 contributions will be increased to £4,750 and £15,860 respectively. Table B2 shows their effect on individual liability for a range of earnings.

[Ends]

**PRESS  
RELEASE**

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3 November 1987

JOHN MOORE GIVES DETAILS OF HEALTH AND  
PERSONAL SOCIAL SERVICES SPENDING PLANS

Following the Chancellor's Autumn Statement, John Moore, Secretary of State for Social Services, has given details of future spending plans for health and personal social services.

Mr. Moore said: "The largest ever additional sums of money have been allocated to the NHS so that planned spending in England will rise from £16.5 billion this year to £19.3 billion by 1990-91 - an extra £2.8 billion. Spending will rise by £1.1 billion in 1988-89, an increase of over £700 million above previous plans. These additions will enable funds to be made available for important initiatives in the Hospital and Community Health Services and the development of the Government's proposals on primary health care. Additional funds will also be available for the Personal Social Services and for centrally financed services, including public education on AIDS and prevention.

Hospital and Community Health Services - Current

"Health Authorities will receive over £700 million more in 1988-89 than in the current year; this is £479 million more than was planned in last year's survey. This will enable the important initiative on waiting lists to be continued and enhanced, as well as making a substantial extra contribution towards the costs of health authorities' AIDS-related services."

"The increase in planned provision amounts to a cash increase next year of 6.3 per cent, while inflation of 4.5 per cent is assumed. With cash released from cost improvement programmes and expected revenue from new income generation schemes, resources should increase by just over 3 per cent in real terms. In addition, health authorities should receive income of around £90 million, mainly from private patients' charges."

{MORE}

"Within the total resources available, I intend to put the planning and funding of AIDS-related services on a firm footing for the future. I plan to earmark over £50 million to help develop preventive, counselling, and diagnostic services and to make a contribution towards the costs of care and treatment in hospitals and in the community for those with AIDS or HIV infection. I am considering on what basis the allocations to individual regional health authorities should be made. This level of central provision should make an important contribution towards the costs of AIDS-related services enabling health authorities to develop adequate services for patients with AIDS and related conditions, while maintaining other priority services.

"I also propose to continue and extend the waiting list fund. This will be increased from £25 million to £30 million next year and continued for a further two years. The resource allocation bridging fund, for those health authorities facing major transitional costs in restructuring their services will be continued.

"As in previous years the resources made available to health authorities will be supplemented by cash released from cost improvement programmes - worth some £150 million in 1987-88. Additionally health authorities are to be encouraged to generate further income from the non-NHS use of hospital services and facilities - such as selling refreshments to visitors, advertising and sales of surplus equipment.

#### Hospital and Community Health Services - Capital

"Health authorities' capital expenditure is expected to be around £1 billion per year over the next three years. The capital allocation from the Exchequer will be £810 million next year with the balance coming from retained receipts of land and property sales.

"There are at present over 480 major building schemes, each costing over £1 million, in health authorities' capital programmes with a total value of £3 billion. About 140 of these schemes are planned for completion over the next three years. Some 70 new schemes are planned to start next year."

{MORE}

Family Practitioner Services

"Our plans allow for the forecast demand on family practitioner services to be met in full and for the development of primary care. Government spending on the FPS is expected to be £4.2 billion in 1988-89 - £350 million more than in the current year. Over the following two years, this is planned to increase to 4.7 billion.

Personal Social Services

The planned programme for net current spending on the local authority personal services in 1988-89 has been increased by £100 million, broadly in line with increases in local authority current spending provision overall.

Personal Social Services basic capital allocations will increase by £10 million to £71 million in 1988-89.

[END]



## HM CUSTOMS AND EXCISE NEWS RELEASE

No. 77/87

3 November 1987

### **MORE STAFF FOR DRUGS AND VAT**

Increases in HM Customs & Excise staffing are announced today following the Public Expenditure Survey.

There will be an overall build-up of 531 extra staff during 1988-89. This is 410 more than the planned staffing level set in last year's Public Expenditure Survey. The staff will be directed at the Government's top priorities for the Department - the prevention of drugs smuggling and the effective collection of VAT.

Allowing for reallocation of efficiency savings the Department will allocate about 450 additional staff to Customs work, mainly on the prevention of drug smuggling. Additionally, the control of VAT will be strengthened.

The Department's new staff in post figure for 31 March 1989 will be 27,178. Further increases are planned to a total of 27,608 by 31 March 1990 and 28,138 by 1991.

### **CUSTOMS**

Of the 450 new staff for Customs, 360 will be employed on maintaining and enhancing preventive controls on passengers and freight at ports and airports. In addition some 90 specialist and support staff will be added to strengthen drugs investigation including the confiscation of assets from criminals convicted of drugs or other offences.

These new resources will be used to build upon the success achieved by existing Customs staff. In 1986-87, Customs officers made 5,566 drugs seizures, 33% more than in the previous year. 171 kilos of heroin, 98 kilos of cocaine and 20,270 kilos of cannabis were seized. Arrests

for drug offences increased by about 40%.

#### VALUE ADDED TAX

Some additional 150 staff will be employed on VAT. After allowing for redeployment, 265 extra visiting officers will be employed to enhance controls and a further 95 staff employed on other VAT collection duties.

The additional resources now allocated to VAT work follow the increases authorised in previous years which have provided very cost effective returns. In 1986-87 VAT revenue amounted to £21.4 billion and constituted more than half of Customs and Excise duty and tax receipts. Nearly £600 million in underpayments were recovered as a result of visits by control staff.

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# OVERSEAS

# DEVELOPMENT

**NEWS RELEASE ~ Press Office 01-213 4909**

Overseas Development Administration, Eland House, Stag Place, London SW1E 5DH

3 November 1987

## REAL VALUE OF OVERSEAS AID PLANNED TO INCREASE

The overseas aid budget, which this financial year stands at £1,235 million, will rise to £1,305 million in 1988/89 and to £1,375 million and £1,420 million in the two following years. This represents an increase of £30 million in 1988/89 and £60 million in 1989/90, compared to the figures contained in the 1987 Public Expenditure White Paper. The cost of the Chancellor's debt initiative for the poorest and most heavily indebted sub-Saharan African countries would be additional to these sums.

The overall amount available for spending on overseas aid in 1988/89 will be about £1,375 million, after adding to the overseas aid budget repayments due on past aid loans.

Commenting on these figures, Mr Christopher Patten MP, Minister for Overseas Development, said today: "These substantial increases mean that the aid programme will now be growing in real terms over the next three years. This is a recognition of our ability to afford a larger aid budget and of the value of an effective aid programme both to developing countries and Britain."

**Press Notice No:**

541

3 November 1987

**WHAT THE AUTUMN STATEMENT MEANS FOR TRANSPORT:  
PAUL CHANNON**

Commenting on the Chancellor of the Exchequer's Autumn Statement, Transport Secretary Paul Channon said today:

"My priority is to sustain a high level of cost effective investment in Britain's transport, bringing vital economic benefits and lasting improvements to our roads and transport services. Subsidies are down, reducing the burden on the taxpayer."

Roads

Mr Channon said:

"The Government plans to spend £2 billion over the next three years on building national roads, plus another £1 billion on improving existing roads.

"Compared with this year, spending on national roads will be three per cent higher next year, five per cent higher the year after and nine per cent higher in 1990-91.

"Major new construction schemes we hope to progress in the period include:

M1-A1 Link

M20 Maidstone-Ashford

M40 Extension to Birmingham

M66 Denton-Middleton

A69 Newcastle Western Bypass

Major sections of the North Circular Road, including A406 Chingford Road to Hale End Road and A406 Hanger Lane to Harrow Road.

"In addition, construction of the privately financed Dartford-Thurrock Bridge should begin shortly after the Bill - now before Parliament - receives Royal Assent.

"The increased provision for national roads will also enable us to carry forward our bridge maintenance programme and to stay on course towards our target of eliminating the maintenance backlog on national roads by 1992.

"Increased capital allocations and receipts will enable local authorities to increase investment on roads and public transport by over 9 per cent. They will also be able to spend 13% more to tackle the backlog of road and bridge maintenance which has developed because they have spent less than the Government's plans in the last two years.

#### Public Transport

"Our provision of £753 million for British Rail will ensure that they can increase their already large investment programme to improve services for passengers. They will

also be able to start investing for the Channel Tunnel.

"Thanks to London Regional Transport's success in cutting costs and substantially increasing revenue, their need for support from the taxpayer continues to fall. Their investment next year will be £365 million - up by more than £50 million over 1987-88.

"Local authorities have been able to reduce public transport support this year by over £70 million since deregulation has become established, without reducing service mileage. Provision for concessionary fares is being increased by 16 per cent.

#### Shipping and Marine

"After the Herald of Free Enterprise tragedy I am determined to step up research on ro-ro ferry safety - we shall undertake projects worth £1½ million. The Merchant Shipping Bill, which I published last Friday, will give financial assistance to our shipping industry towards training and crew travel costs."

#### NOTES FOR EDITORS

The figures for the main Department of Transport programmes are shown in the table annexed. The main points of interest are:-

#### NATIONAL ROADS SYSTEM

'Policy for Roads in England 1987' published in April this year, announced the addition of 82 new schemes to the national road programme at a cost of nearly £700m. There are now nearly 370 national schemes in the programme with a total works value of about £5 billion. 50 major schemes are at present under construction, totalling over 200 miles.

Over the PES period some £2 billion will be available for new construction. In line with the commitment to eliminate maintenance backlogs on both motorways and other trunk roads by 1992, the Department plans to renew 240 miles of motorway and some 600 miles of other trunk road over the next 3 years. Increased resources will be made available for bridge maintenance.

#### LOCAL AUTHORITY CAPITAL PROGRAMMES

Planned expenditure for 1988-89 is less than for 1987-88 because over £50m of special grants for new BR rolling stock was included in the 1987-88 plans. Allowing for this, provision is about £20m higher. Local transport capital receipts are expected to increase by £30m and gross provision will be increased by the same amount. Capital allocations will be over £40m higher than in 1987-88. Local authorities should be therefore able to eliminate their substantial underspend forecast for this year. The plans provide allocations of over £530m for local roads, and also allow for increased investment in public transport and airports.

Higher capital receipts should also boost spending in the later two years.

#### LOCAL AUTHORITY CURRENT EXPENDITURE

Total provision is for a 4.3 per cent increase on local authorities' budgets for 1987-88. It is unchanged from 1987-88 provision because local authorities budgeted to spend significantly below provision on transport in 1987-88, offsetting overspending on most other local services. Local Government is choosing to give transport spending lower priority than the Government's plans.

The shortfall is almost entirely on road maintenance which constitutes nearly two-thirds of the total. The condition of local roads and bridges is deteriorating. Provision for 1988-89 allows a 13% increase to start tackling the maintenance backlog, compared with the 4% increase local authorities budgeted to spend in 1987-88.

Bus deregulation is enabling local authorities to reduce their support payments for public transport services by 22% in 1987-88. The provision will enable them to increase expenditure by 7% next year to allow further enhancement of the unsubsidised network which now covers over three-quarters of pre-deregulation services. Concessionary fares provision has been increased by 16%, to cover growth in numbers eligible and increased costs.

For 1989-90 and 1990-91 provision is held constant in real terms.

#### PUBLIC CORPORATIONS

#### EXTERNAL FINANCING LIMITS FOR NATIONALISED INDUSTRIES 1988-89

British Rail's external finance limit of £753m means that it will be able to increase its already high level of investment. Its EFL allows for the early stages of investment related to the Channel Tunnel, as well as electrification and terminal schemes and rolling stock modernisation which will increase BR's efficiency and provide a better service to passengers.

London Regional Transport's EFL of £221 million reflects continued progress in lowering costs and increasing receipts. All external support will contribute to an investment programme worth more than £350 million next year, an increase of at least £50 million on 1987-88. All areas of the business will benefit but work to increase the capacity of the Underground will be particularly helpful as demand is now at record levels. Patronage has increased by half over the last 5 years and continued growth is expected.

### Shipping

Assistance to the shipping industry is provided for in the Merchant Shipping Bill, published last Friday. This provides for the Secretary of State to give financial assistance towards training and related costs for merchant navy officers and ratings, and also in respect of travel and other costs for UK resident crew members joining or leaving a ship registered in the British Islands and operating in distant waters.

Press Enquiries: 01-212 0431      Public Enquiries: 01-212 3434  
Out of Hours:      01-212 7071.      ask for Public Enquiry Unit.

DEPARTMENT OF TRANSPORT  
PUBLIC EXPENDITURE TOTALS (ROUNDED)

ANNEX

£ million cash

	1987-88		1988-89		1989-90		1990-91
	1987 White Paper	Forecast outturn	1987 White Paper	Autumn Statement	1987 White Paper	Autumn Statement	Autumn Statement
Central Government							
National roads (a)	940	980	980	1000	1010	1030	1060
Regulatory services, administration, etc	430	430	440	450	440	460	470
Total central government	1370	1410	1420	1460	1450	1490	1530
Local authority capital							
Roads and car parks (b)	630	470	640	640			
Trading services	100	130	50 (c)	60			
	730	600	690	700	700	700	720
Local authority relevant current							
Road maintenance	1260	1120		1260			
Other current	690	750		690			
	1950	1870	2010	1950	2060	2020	2080
Total local authority	2680	2470	2700	2650	2760	2720	2800
Public corporations (d)							
British Rail	750	710	700 (c)	750			
London Regional Transport	280	270	220	220			
Civil Aviation Authority	10	-	10	20			
Public transport companies	40	10 (e)	60	50			
Total public corporations	1080	990	990	1040	920	900	880
Grand Total	5130	4870	5110	5150	5140	5110	5210

See notes on separate page



## Notes

- (a) Forecast outturn 1987-88 includes capital provision carried forward from 1986-87 under the end-year flexibility rules. Public expenditure at the levels indicated assume receipts from the European Community of about £25 million a year.
- (b) Includes items outside the cash limit on local authority capital expenditure in England (mainly the transport component of the Urban Programme).
- (c) The 1987 Public Expenditure White Paper made no provision after 1987-88 for PTE capital grants to BR for new investment on services supported under section 20 of the Transport Act 1968. PTE capital grants to BR of £5 million in 1988-89 have now been agreed; they are included in the local authority capital trading services figure, offset by an equivalent reduction in BR's EFL. The 1987 White Paper figures for BR's EFL and local authority capital trading services have been adjusted in this table to reflect this technical change. Arrangements for later years have yet to be settled between BR and the PTEs.
- (d) Because of privatisation, no provision is included in the table for BAA plc (formerly British Airports Authority) and National Bus Company. Public transport companies, which were included under Local Authority Capital in the last Public Expenditure White Paper, are now included under Public Corporations.
- (e) Does not yet include external finance for Manchester International Airport plc.
- (f) Seeming discrepancies in totals are due to the rounding of individual figures.



## **PRESS RELEASE**

3 November 1987

### EXPENDITURE PLANS FOR AGRICULTURE, FISHERIES AND FOOD IN THE NEXT THREE YEARS

In his Autumn Statement today the Chancellor of the Exchequer announced that the new planning provisions for expenditure on agriculture, fisheries and food are:

	£ million		
	1988-89	1989-90	1990-91
IBAP and other CAP	1570	1690	1840
Domestic agriculture			
fisheries and food	930	950	970
TOTAL	2510	2640	2810

For 1988-89 and 1989-90 this represents an overall decrease on previously planned expenditure of £160 million and £140 million.

The figures incorporate significant savings on intervention expenditure mainly flowing from the drive to achieve reforms in the CAP; and increased spending on measures aimed at cutting production of surplus products, including the forthcoming extensification scheme and farm woodlands scheme.

#### IBAP and other CAP

Expenditure on IBAP and other CAP measures will fall by £210 million and £190 million in 1988-89 and 1989-90 respectively. A large part of these reductions relate to CAP reforms. In December 1986 a package of measures was agreed by the Agriculture Council covering milk and beef; in July 1987 the annual price fixing decisions included reduced support levels for cereals and rapeseed.

Other reductions will come from the introduction of the new measures to encourage alternative or less intensive uses of land, and from more efficient storage arrangements by the Intervention Board.

Savings in 1988-89 are also due to non-policy factors such as effects of the bad weather this summer.

#### Domestic Agriculture, Fisheries and Food

Expenditure in the United Kingdom for which Agriculture Departments are directly responsible will increase by some £40 million net in 1988-89 and £50 million net in 1989-90.

The most important parts of the additional expenditure are the new money to be spent on voluntary schemes to cut production of surplus crops. Provisions are being raised by some £16 million in 1989-90 and £22 million in 1990-91 for payments to cereals farmers under the new EC extensification scheme designed to reduce surplus production. The compensating savings are included with the reductions in the IBAP figures.

As announced in February this year new measures are also being introduced to encourage alternative uses of agricultural land, including farm woodlands, and to enhance environmental protection. Provisions for the Agriculture Departments have been increased by some £10 million in 1988-89, rising to some £15 million in 1990-91, on account of these measures; the provision for the Forestry Commission has also been increased to cover their elements of the programme.

The other major increase on programmes (£13 million in 1988-89 and £15 million in 1989-90) arises on local authority expenditure to reflect more closely the level of precept payable to Water Authorities to fund flood defence works.

The provisions for 1989-90 and 1990-91 have also been reduced (by £5 million and £10 million respectively) to reflect an increasing level of industry funding for research and development.

**Notes for Editors**

1. Planned expenditure on agriculture, fisheries and food includes expenditure in Scotland, Wales and Northern Ireland and excludes expenditure by the Forestry Commission. It can be reconciled with the plans for IBAP/MAFF/FC in the Chancellor's Autumn Statement as follows:

	£ million			
	1987-88	1988-89	1989-90	1990-91
	outturn			
IBAP/MAFF/FC	2130	2210	2330	2500
less Forestry Commission	- 50	- 60	- 60	- 70
plus Scotland, Wales and Northern Ireland	+ 350	+ 360	+ 370	+ 370
	-----	-----	-----	-----
Planned expenditure on agriculture, fisheries and food	2430	2510	2640	2810

2. Planned expenditure as announced today, compared with previously published plans (CM<sup>1</sup> 56) is as follows:

	£ million			
	1987-88	1988-89	1989-90	1990-91
	outturn			
<u>(a) Intervention Board for Agricultural Produce and other CAP</u>				
i) Cm56 adjusted for classification charges	1660	1780	1880	
ii) Revised plans	1570	1570	1690	1840
iii) Change	-90	-210	-190	
	outturn			
<u>b) Domestic Agriculture Fisheries and Food</u>				
i) Cm56 adjusted for classification charges	870	890	890	
ii) Revised plans	860	930	950	970
iii) Change	- 10	+ 40	+ 50	-

3. All figures have been rounded to nearest £10 million and may not add up due to rounding. Departmental totals will be shown in the 1988 Public Expenditure White Paper.

4. Agriculture Council decisions

- December 1986 package; press notice 1986 no 344
- July 1987 price fixing; press notice 1987 no 176

5. Alternative uses of agricultural land:- Details announced on 9 February 1987 "Farming and Rural Enterprise" (Press notice 1987 no 27).

6. "Extensification", Member states are required to implement the EC extensification scheme (Regulation 1760/87) by 1 April 1988. Details of a proposed UK scheme will be circulated for public comment in due course.

November 3, 1987

## **AUTUMN STATEMENT: WALES**

The Autumn Statement was presented to Parliament today by the Chancellor of the Exchequer, the Rt Hon Nigel Lawson, MP, outlining the Government's spending plans.

It shows that the total provision within the responsibility of the Secretary of State for Wales for 1988/90 is £3.45 billion. This is an increase of 8.1% over the provision in the last White Paper for corresponding programmes in the current financial year (£3.19 billion). The planning figures for 1989/90 and 1990/91 are £3.55 billion and £3.66 billion respectively.

The Secretary of State for Wales, Peter Walker, said: "I am pleased with a settlement in which I have secured very substantial additional provision for Wales for 1988/89 amounting to 8.1% above the provision made for 1987/88. I will now be considering over the next few weeks the allocation of resources to individual programmes within my responsibility in the usual way. I will of course consider very carefully the competing demands and priorities".

### Note for Editors

Figures showing the detailed allocation of resources to all individual programmes within the Secretary of State's responsibility will appear in the Public Expenditure White Paper when it is published early in the New Year. Certain individual allocation announcements will be made before then.



# Northern Ireland Office

## Press Notice

Whitehall, London SW1A 2AZ Telephone Enquiries 01-210 6470  
Stormont Castle, Belfast, BT4 3ST. Telephone Enquiries Belfast 63011

L61/87

3 November 1987

### 1987 AUTUMN STATEMENT

1. The Treasury today published details of the public expenditure plans announced by the Chancellor of the Exchequer in his Autumn Statement. The revised public expenditure totals for Northern Ireland are:

<u>1988-89</u>	<u>1989-90</u>	<u>1990-91</u>
£5130m	£5310m	£5470m

These compare with forecast outturn of £4890m in 1987-88 and provide for increases over previous plans of £90m and £110m for 1988-89 and 1989-90 respectively.

2. Commenting on the plans, the Secretary of State for Northern Ireland, Mr Tom King, said today:

" The revised plans will ensure that the level of public expenditure in Northern Ireland remains substantially higher than the average in the United Kingdom, reflecting the Government's continuing commitment and concern for Northern Ireland's particular needs and circumstances. I shall be announcing later this month details of the allocations to specific programmes in Northern Ireland."



**CHANCELLOR OF THE EXCHEQUER'S AUTUMN STATEMENT: COMMENT  
BY THE SECRETARY OF STATE FOR SCOTLAND**

Commenting on the public expenditure figures for Scotland announced by the Chancellor of the Exchequer in his Autumn Statement today, the rt hon Malcolm Rifkind QC MP, Secretary of State for Scotland, said:

"The Chancellor's Statement today confirms that the Government are continuing to ensure that taxpayers' money is being directed to where our national priorities lie. That additional resources are available is a reflection of the underlying health of the national economy, and is testimony to the careful management of public expenditure since we came to office.

Scotland is benefiting from the Government's financial management. For my own programme I will have some £8,514m next year. This is almost 7% above provision for the current year, and well above the rate of inflation.

The figures include provision for the services within the Scottish block which has been fully enhanced by the application of the territorial formula to changes in spending on comparable English programmes. The formula increase for local authority current expenditure in 1988-89 is less than the extra cost of the generous RSG settlement which I have already announced in July because of the level of spending of Scottish local authorities, so I have made up the balance from the rest of my block. As a consequence, in that year the amount available for non-local authority expenditure in Scotland is lower than it would otherwise be. I will now be considering how the remainder of the resources at my disposal should be allocated among my services, and I will announce my detailed decisions in December."

Notes for Editors

**CHANCELLOR OF THE EXCHEQUER'S AUTUMN STATEMENT: SCOTLAND PROGRAMME**

1. The figures for the Scotland programme which appear in the Autumn Statement published today are:

£ million				
1986-87 Outturn	1987-88 Estimated Outturn	1988-89 Provision	1989-90 Provision	1990-91 Provision
7736	8220	8510	8610	8770

2. The figures differ from those in the Public Expenditure White Paper (Cm56) because of budget and other changes since the White Paper was published; revised economic assumptions; and the outcome of this year's Public Expenditure Survey including the consequences for Scottish programmes of applying the population-based formula whereby changes in comparable English or English and Welsh programmes are reflected in the total amount available for public expenditure in Scotland.

3. There is an increase of 6.9% in provision between 1987-88 and 1988-89 and the increase over estimated outturn in 1987-88 is 3.5%. The difference is due to several factors including the settlement in health service pay, higher than expected electricity board costs and continued spending by local authorities above the level provided for. However, the estimated outturn figures may be reduced as firmer information becomes available.

4. The figure of £4,520m for local authority expenditure in Scotland [in Table 2.6] for 1988-89 reflects the generous RSG settlement which the Secretary of State announced in July. The settlement will cost more in Scotland than in England because of higher overspending by Scottish authorities. The cost exceeds the amount produced by application of the formula by £71m and the Secretary of State has made up the difference by transferring that amount from the rest of his block. He hopes that overspending in Scotland will not be repeated in the later years so the figures shown for local authority expenditure in 1989-90 and 1990-91 are

those produced arithmetically by the application of the formula to the equivalent English figures. No attempt has been made to anticipate next year's RSG settlement.

5. The detailed breakdown of the figures is subject to confirmation: the Secretary of State will announce in December his decisions on the allocation of his total expenditure provision among the services within his responsibility.



## **PRESS RELEASE**

3 November 1987

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# ENVIRONMENT

## NEWS RELEASE

440

3 November 1987

### PUBLIC EXPENDITURE PROGRAMME

Nicholas Ridley, Secretary of State for the Environment, today gave details of his Department's elements of the public expenditure plans for 1988/89 and later years.

In Answer to a written Parliamentary Question by John Heddle MP, (Mid Staffs), Mr Ridley said:

"My Rt Hon Friend, the Chancellor of the Exchequer has today announced the Government's public expenditure plans for the next three years. The tables below gives details of the major changes in my Department's programmes. Because of increased receipts I have been able to provide for significant increases in gross expenditure, particularly for housing, the inner cities and the environment without increasing net expenditure.

#### HOUSING

"There is a substantial increase in gross provision for housing capital expenditure in 1988/89. At £3,827 million, this is £384 million (11%) higher than previously planned and £159 million higher than the estimated outturn for 1987/88. In 1989/90 there will be an increase of £284 million on previous plans. Increases on this scale have been made possible by the continuing success of the Right to Buy, and by disposals of new towns land for housing. Capital receipts are now expected to yield more than £2 billion in each of the next three years.

"Within the total available for capital investment I have allocated resources in accordance with the priorities outlined in the White Paper 'Housing: the Government's proposals' (Cm 214). Gross provision for the Housing Corporation will increase by nearly £50 million in 1988/89, and by 1990/91 will be £145 million higher than expected out turn in 1987/88. I hope that these extra public resources will increasingly be augmented by private finance under mixed funding arrangements.

"While housing associations will have an increasing share of the provision of new social housing for rent, I have made substantial additional provision for local authorities to enable them to spend more on renovation of their existing stock. Gross provision for local authority capital spending in 1988/89 will be £3,048 million, an increase of £313 million on previous plans and of £128 million on estimated out turn for 1987/88.

"As local authority spending power from receipts continues to increase, the borrowing consent represented by capital allocations declines in importance. Nevertheless, basic Housing Investment Programme and Homes Insulation Scheme allocations will remain at a high level in 1988/89: at £1150 million they will stand at around 90% of this year's.

"Additional allocations will again be made to local authorities to revitalise rundown estates under the Department's Estate Action programme. The resources available will nearly double, to £140 million.

"Additionally, over the three Survey years I am making available a total of £125 million for Housing Action Trusts so that they can renovate some of the worst estates of run-down local authority housing, and pass it on to new forms of ownership and management.

"Housing investment by New Towns is increasingly confined to the servicing of sites for development by the private sector. Gross provision in each of the next three years has been increased to support this activity and is more than financed by increased proceeds from disposals.

"Because of the continuing high level of receipts it will be possible to achieve the higher levels of gross provision for capital investment I have outlined without any increase in the overall net Housing programme totals already planned. The figures are given in the table below. Compared with expected out turn in 1987/88 the overall planned level of net expenditure in 1988/89 shows an increase of £498 million (20%).

#### OTHER ENVIRONMENTAL SERVICES

"I continue to give very high priority to the inner cities. The Urban Development Corporations have proven their worth in bringing effective help to the areas of greatest need, drawing on the resources and expertise of the private sector, and I am increasing planned resources by £65 million in 1988/89, and £68 million in 1989/90. Total resources for UDCs will now be more than £200 million in each of the next 3 years. This will enable us to maintain the momentum of the corporations in London and Merseyside, to secure the successful launch of the four new UDCs established this year (in Trafford Park, Teesside, Tyne and Wear and the Black Country) and to press ahead with further initiatives.

"Despite the increased emphasis on UDCs I am still continuing to provide substantial resources, nearly £300 million a year, for the other parts of my Urban group: the Urban Programme (including Urban Development Grant and Urban Regeneration Grant) and Derelict Land Grant.

"I am also increasing resources for the countryside, environment, recreation and heritage. The Development Commission, Nature Conservancy Council, Countryside Commission and Sports Council will receive increased financial support. In addition the National Heritage Memorial Fund will receive an additional £20 million capital injection in 1987/88.

"Provision for gross capital expenditure in 1988/89 on local environmental services has been increased by £60 million to £627 million.

"The increases in gross expenditure in the Other Environmental Services programme for 1988/89 have been more than offset by substantial increases in forecast receipts to local authorities and the New Towns. This reflects in particular the success of the New Town bodies' programme of disposals as the private sector takes an increasingly prominent role in the future of the towns.

#### WATER

"I am reducing slightly the borrowing limit for the water authorities by £9 million in 1988/89. Water authorities continue to reduce real operating costs and this, taken with increased profitability, will enable them to finance large increases in investment proposed in their 1987 Corporate Plans. Capital expenditure has already grown in real terms by 40% since 1980/81 and is currently running at about £1 billion. Further major growth is now assured in programmes to improve water and sewage treatment and to renew underground assets.

"The British Waterways Board External Financing Limit (EFL) is to increase by £1.6 million in each year.

#### PROPERTY SERVICES AGENCY (PSA)

"PSA's civil accommodation programme in net terms is planned to decrease by £22 million in 1988/89 and by £59 million in 1989/90. But, because disposal and Property Repayment Services (PRS) receipts are expected to increase substantially, expenditure is planned to increase by £63 million and £78 million respectively in the next two years. After meeting increases on rents to be paid to landlords and other unavoidable expenditure, the Agency should be able to allocate sufficient funds to the maintenance of the civil estate in 1988/89 to prevent further build up of the backlog of work. In the following year the Agency should be able to make inroads into this backlog.

#### OVERALL LOCAL AUTHORITY EXPENDITURE, ENGLAND

"I proposed on 23 July that provision for local authority relevant current expenditure for 1988/89 should be increased by £838 million to £27,538 million and that aggregate Exchequer grant should be £13,775 million, an increase of £750 million compared to 1987/88. I am consulting local government about my proposals for the 1988/89 Rate Support Grant settlement.

"As regards local authority capital expenditure overall, gross provision for the main local authority cash limit DOE/LA1 in 1988/89 has been increased by £500 million. Because of authorities' continuing success in increasing their capital receipts, this has not required an increase in net provision. The revised plans allow for gross spending on the five services covered by the cash limit (housing, education, transport, personal social services and other services) of nearly £5.2 billion.

"The very high level of receipts being generated by authorities in 1987/88, which is leading to an underspend against the net cash limit, will add to the growth in accumulated receipts and hence will lead to a further increase in the spending power from receipts next year. Despite this, the increase that has been agreed for gross provision means that the allocations available for the services across the cash limit in 1988/89 should be broadly equal to allocations issued for the present year."

Press Enquiries: 01 212 3496/7539/8236/4686/5113

(out of hours: 01 212 7132)

Public Enquiries: 01 212 3434

(ask for Public Enquiries Unit)

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## DEPARTMENT OF THE ENVIRONMENT - HOUSING

	1987-88	1988-89		1989-90		1990-91
	ESTIMATED OUTTURN	PREVIOUS PLAN	REVISED PLAN	PREVIOUS PLAN	REVISED PLAN	PLAN
<b>CAPITAL</b>						
Gross Expenditure						
Central Government						
Housing Corporation	705	686	735	682	775	850
Other Central Government	3	5	4	5	5	5
Local Authorities	2920	2735	3048	2779	2908	2808
Public Corporations						
Housing Action Trusts	0	0	5	0	50	70
New Towns	41	18	35	18	30	30
<b>Total Gross Expenditure</b>	<b>3668</b>	<b>3444</b>	<b>3827</b>	<b>3484</b>	<b>3768</b>	<b>3763</b>
<b>Receipts</b>						
Central Government						
Housing Corporation	-71	-70	-80	-71	-80	-90
Other Central Government	-3	-2	-2	-2	-2	-2
Local Authorities	-2315	-1581	-1876	-1581	-1915	-1923
Public Corporations						
New Towns	-112	-29	-110	-29	-80	-70
<b>Total Receipts</b>	<b>-2501</b>	<b>-1682</b>	<b>-2068</b>	<b>-1683</b>	<b>-2077</b>	<b>-2084</b>
<b>Net Capital</b>						
Central Government						
Housing Corporation	634	616	655	611	695	760
Other Central Government	0	3	2	3	3	3
Local Authorities	605	1154	1172	1198	993	885
Public Corporations						
Housing Action Trusts	0	0	5	0	50	70
New Towns	-72	-11	-75	-11	-50	-40
<b>Total Net Capital</b>	<b>1167</b>	<b>1762</b>	<b>1759</b>	<b>1801</b>	<b>1691</b>	<b>1679</b>
<b>Total Current</b>	<b>1353</b>	<b>1271</b>	<b>1259</b>	<b>1306</b>	<b>1312</b>	<b>1364</b>
<b>TOTAL DOE HOUSING</b>	<b>2520</b>	<b>3032</b>	<b>3018</b>	<b>3107</b>	<b>3003</b>	<b>3043</b>

## DOE OTHER ENVIRONMENTAL SERVICES

f million - sums may  
not total due to  
rounding.

		1987-88 FORECAST OUTTURN	1988-89 PREVIOUS PLAN    REVISED PLAN		1989-90 PREVIOUS PLAN    REVISED PLAN		1990-91 PLAN
1	Urban Group						
	(1) Urban Programme*	227	231	221	230	221	222
	(2) Urban Development Corporations of which:	133	138	203	147	215	223
	(a) LDDC/MDC	111	108	108	147	215	223
	(b) New UDCs	22	30	95			
	(3) Derelict land reclamation	81	81	76	81	76	76
2	New Towns						
	Gross**	87	61	81	50	65	60
	Receipts	-335	-131	-311	-134	-175	-150
	Net	-248	-70	-230	-83	-109	-90
3	Countryside, Recreation and Environment						
	(1) Development Commission and support for industry	28	27	32	27	33	32
	(2) Countryside, Recreation, & Environment Bodies	105	105	110	106	112	114
	(3) Environmental Research	26	30	31	32	32	33
4	Heritage						
	(1) Royal palaces, royal parks and Royal Armouries	41	41	44	42	46	45
	(2) Historic buildings, ancient monuments and national heritage***	93	73	74	75	75	77
5	Water						
	(1) British Waterways Board EFL	45	45	47	46	48	49
	(2) Regional Water Auth- orities EFLs	3	-11	-20	-58	-74	-94
	(3) Civil Defence	2	3	3	4	4	4
	(4) Other Water Services	2	2	1	2	1	1
6	Departmental Administration	113	116	128	119	123	122
7	Local Environmental Services						
	(1) Capital Gross Receipts Net	890 -550 340	567 -390 177	627 -542 85	581 -399 182	627 -542 85	627 -542 85
	(2) Current****	2841	2694	2800	2762	2898	2984
8	Other local authority current						
	(1) Local authority rate collection	176	177	185	182	191	197
	(2) Records and registration of births, deaths and marriages	17	17	25	18	26	27
Programme total		4025	3876	3815	3914	4004	4107

\* Includes capital and current expenditure, DOE element only. Total UP provision (all departments) for 1988-89 is f314m.

\*\* Includes f4m for Letchworth Garden City Corporation in 1987-88.

\*\*\* Includes f20m additional funding for NHMF in 1987-88.

\*\*\*\* Excludes Urban Programme current expenditure.



FSA CIVIL ACCOMODATION

	1987-88	1988-89		1989-90		1990-91
	FORECAST	PREVIOUS	REVISED	PREVIOUS	REVISED	PLAN
	OUTTURN	PLAN	PLAN	PLAN	PLAN	
Expenditure (1)	500	476	539	486	564	598
Receipts (2)	-575	-575	-660	-587	-724	-758
Net	-75	-99	-121	-101	-160	-160

Notes:

(1) Capital expenditure, maintenance, rents and administration.

(2) PRS and disposal receipts.