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SCOTTISH OFFICE
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Press
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Political

Andy Bearpark Esq
Private Secretary
10 Downing Street
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12 December 1988

Dear Andy.

PUBLIC EXPENDITURE 1988

I enclose a copy of a statement my Secretary of State proposes to make in the House tomorrow afternoon (13 December) and would be grateful for your clearance.

Copies of this letter go to Alison Smith (Lord President's Office), Murdo MacLean and Rhodri Walters (Chief Whip's Office); Carys Evans (Chief Secretary's Office); Shirley Stagg (MAFF); Jeremy Godfrey (DTI); Tom Jeffrey (DES); Roger Bright (Environment); Roy Griffins (Transport); Philip Mawer (Home Office); Andy McKean (Health); Eleanor Goodison (Privy Council Office); Stephen Williams (Welsh Office); Mike Maxwell (NI Office); Bernard Ingham (No 10); and Trevor Woolley (Cabinet Office).

Yours Sincerely
L Wright

L WRIGHT
Private Secretary

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PUBLIC EXPENDITURE - SCOTLAND

WITH PERMISSION, MR SPEAKER, I WISH TO MAKE A STATEMENT ABOUT THE ALLOCATION OF MY PUBLIC EXPENDITURE PROVISION IN THE NEXT 3 YEARS.

AN ANNOTATED TABLE SHOWING THE ALLOCATIONS FOR EACH SERVICE IS AVAILABLE IN THE VOTE OFFICE AND I AM ARRANGING FOR IT TO BE PUBLISHED IN THE OFFICIAL REPORT.

THE CONTINUED SUCCESS OF THE GOVERNMENT'S MANAGEMENT OF THE ECONOMY HAS ALLOWED PUBLIC EXPENDITURE TO INCREASE AT THE SAME TIME AS ITS PROPORTIONATE CLAIM ON NATIONAL RESOURCES HAS FALLEN. AS A RESULT, PLANNED PROVISION FOR MY SCOTTISH PROGRAMMES IN 1989=90 WILL AMOUNT TO ALMOST £9BN, 6% OVER PLANNED EXPENDITURE FOR THE CURRENT YEAR.

WE HAVE ALREADY ANNOUNCED OUR PROPOSALS TO INTEGRATE TRAINING AND ENTERPRISE DEVELOPMENT FUNCTIONS IN SCOTTISH ENTERPRISE. DETAILED PROVISION FOR SCOTTISH ENTERPRISE WILL APPEAR IN MY FUTURE PUBLIC EXPENDITURE PLANS. IN THE MEANTIME, I HAVE INCREASED NEXT YEAR'S PROVISION FOR BOTH NET AND GROSS EXPENDITURE ON THE INDUSTRY PROGRAMME, COMPARED WITH THE PLANS ANNOUNCED LAST YEAR AS WELL AS WITH THE ACTUAL LEVEL OF THIS YEAR'S SPENDING. WITHIN THE TOTAL, THE SCOTTISH DEVELOPMENT AGENCY WILL HAVE AN ENHANCED BUDGET OF OVER £150M. THERE WILL ALSO BE SUBSTANTIAL BUDGET INCREASES OVER THE CURRENT YEAR OF £2.5M FOR THE HIGHLANDS AND ISLANDS DEVELOPMENT BOARD AND £1M FOR THE SCOTTISH TOURIST BOARD. THE HADB WILL EXPAND ITS ADVANCE FACTORY PROGRAMME TO PROVIDE PREMISES FOR SMALL BUSINESSES.

I HAVE BEEN VERY IMPRESSED BY THE EFFECTIVENESS OF SMALL FACTORY UNITS AND INDUSTRIAL WORKSHOPS IN ENCOURAGING THE PROMOTION OF SMALL SCALE ECONOMIC DEVELOPMENT AND EMPLOYMENT. THERE IS A STRONG DEMAND FOR THIS TYPE OF INDUSTRIAL UNIT AND CONSIDERABLE EVIDENCE THAT THE SUPPLY OF UNITS IS NOT KEEPING

PACE. I AM VERY GLAD THEREFORE THAT IN 1989-90 THE SDA PLAN TO PROVIDE 180 SUCH UNITS, AT A COST OF SOME £6.5M; AND I AM GLAD TO ANNOUNCE THAT I AM ALLOCATING AN EXTRA £5M TO LOCAL AUTHORITIES TO ALLOW FOR AN INCREASE IN THE BUILDING OF SMALL FACTORY UNITS AND INDUSTRIAL WORKSHOPS. THIS REPRESENTS A 31% INCREASE IN PLANNED PROVISION; AND WOULD ALLOW LOCAL AUTHORITIES TO CONSTRUCT ABOUT ANOTHER 140 UNITS. THIS INCREASED ALLOCATION, TAKEN WITH THE COMMITMENT OF THE RESOURCES TO THIS PURPOSES BY THE SDA, THE HIDB AND THE NEW TOWNS, WILL GO A LONG WAY TO EASING THE CONSTRAINTS ON FURTHER EXPANSION IN THIS AREA.

I HAVE ONCE AGAIN IDENTIFIED THE HEALTH PROGRAMME AS A PRIORITY AREA. PLANNED EXPENDITURE IN 1989-90 WILL BE £2,683M, £182M OR 7.3% GREATER THAN IN 1988-89. THE HEALTH SERVICE WILL ALSO BENEFIT FROM SAVINGS IN SUPERANNUATION CONTRIBUTIONS AND FROM FURTHER EFFICIENCY SAVINGS. FOLLOWING A REPORT FROM THE GOVERNMENT ACTUARY (A COPY OF WHICH I AM MAKING AVAILABLE IN THE LIBRARY), NHS EMPLOYERS' SUPERANNUATION CONTRIBUTIONS WILL BE REDUCED BY 2% TO 5½%, AND THIS WILL PRODUCE SAVINGS OF SOME £24M PER YEAR. TOGETHER THEY PRODUCE A FURTHER £60M FOR PATIENT SERVICES. THIS MEANS THAT, IN TOTAL, ADDITIONAL RESOURCES OF ABOUT £240M, AN INCREASE OF NEARLY 10%, WILL BE AVAILABLE TO THE NHS IN 1989-90 COMPARED TO 1988-89. THESE ADDITIONAL RESOURCES WILL ALLOW ME, FIRST, TO FUND A FURTHER MAJOR INITIATIVE TO REDUCE WAITING LISTS. I PROPOSE TO MAKE AVAILABLE AT LEAST £4.5M FOR THIS PURPOSE - AN INCREASE OF 50% OVER THE CURRENT YEAR - WHICH I ESTIMATE WILL, IN BROAD TERMS, ALLOW AN ADDITIONAL 10,000 IN-PATIENTS, 5,000 DAY PATIENTS AND 40,000 OUT-PATIENTS TO BE TREATED. MOREOVER, I STAND READY TO ALLOCATE A FURTHER £2.5M ON TOP OF THAT SUM MAKING A TOTAL OF £7M IN ALL IF HEALTH BOARDS COME FORWARD WITH ENOUGH GOOD QUALITY PROJECTS SPECIFICALLY DIRECTED TO THE REDUCTION OF WAITING LISTS. THE BOOST IN NHS RESOURCES WILL ALSO ALLOW A 25% INCREASE IN CAPITAL EXPENDITURE; AND INCREASED EXPENDITURE ON MEDICAL DEVELOPMENTS, ON SERVICES FOR THE ELDERLY, THE MENTALLY ILL AND MENTALLY HANDICAPPED, AND ON THE TREATMENT OF PATIENTS WITH AIDS. MY DECISIONS

FOR 1989/90 WILL BRING THE INCREASE IN RESOURCES FOR THE HEALTH SERVICE IN REAL TERMS SINCE 1979-90 TO 34%.

NEXT YEAR WILL SEE THE START OF SCOTTISH HOMES. I AM DETERMINED THAT THE NEW BODY SHOULD MAKE A MAJOR CONTRIBUTION TO SCOTTISH HOUSING FROM ITS FIRST DAY. IT WILL HAVE A GROSS PLANNED EXPENDITURE, INCLUDING LOAN REPAYMENTS, OF £349M IN 1989-90. THIS IS AN INCREASE OF £86M OVER THE COMPARABLE PLANNED EXPENDITURE OF THE SCOTTISH SPECIAL HOUSING ASSOCIATION AND THE HOUSING CORPORATION IN 1988-89 PUT TOGETHER. NEXT YEAR ALSO GROSS LOCAL AUTHORITY PROVISION FOR INVESTMENT IN HOUSING IS PLANNED TO INCREASE BY 12%. THIS GIVES THE LIE TO ANY CLAIM THAT LOCAL AUTHORITY PROVISION HAS BEEN CUT TO PROVIDE RESOURCES FOR SCOTTISH HOMES.

I HAVE MADE SUBSTANTIAL EXTRA PROVISION FOR ROADS AND TRANSPORT; 14% MORE THAN FOR THIS YEAR AND £40M MORE THAN THE PREVIOUS PLANS FOR 1989-90. PLANNED EXPENDITURE INCREASES TO £750M IN 1991-92. THIS WILL ALLOW A GOOD START TO BE MADE ON UPGRADING THE A74 TO A MOTORWAY AS WE PROMISED IN OUR MANIFESTO. THIS IS A MAJOR PROJECT WHICH INVOLVES SUBSTANTIAL PLANNING IN ORDER TO CREATE A ROAD OF MOTORWAY STANDARD. PLANNING WORK IS GOING AHEAD AS FAST AS POSSIBLE AND ADVANCE WORKS MAY START BEFORE THE END OF 1990. OTHER ROADS WILL CONTINUE TO BE IMPROVED.

PROGRAMMES PROTECTING THE ENVIRONMENT WILL BE SIGNIFICANTLY INCREASED IN 1989-90. I HAVE MADE A 14% INCREASE ON CAPITAL INVESTMENT IN THE WATER SERVICES NEXT YEAR, WHICH WILL ENABLE LOCAL AUTHORITIES TO MAKE MORE RAPID PROGRESS IN MEETING HIGHER QUALITY STANDARDS FOR WATER SUPPLIES; TO IMPROVE FURTHER THE QUALITY OF OUR RIVERS AND COASTAL WATERS; AND TO IMPROVE THE CONDITION OF SOME BATHING WATERS. ADDITIONAL FUNDS HAVE BEEN ALLOCATED TO INCREASE ARCHAEOLOGICAL SURVEY AND EXCAVATION IN AREAS OF RAPIDLY CHANGING LAND USE.

PROVISION FOR EDUCATION IN 1989-90 WILL BE INCREASED TO £2,354M OR 7.6% MORE THAN THE EQUIVALENT FIGURE FOR THIS

YEAR. THE MAJOR PART IS FOR LOCAL AUTHORITY CURRENT EXPENDITURE WHICH GOES UP BY 7% TO £1,793M. PROVISION FOR LOCAL AUTHORITY CAPITAL IS INCREASED BY 9.4%. ALSO, THIS INCREASE WILL AMONGST OTHER THINGS ENABLE ME TO SUPPORT OUR EDUCATIONAL INITIATIVES BY APPROPRIATE TRAINING; TO EXPAND THE NUMBER OF ASSISTED PLACES IN SCHOOLS; TO RESPOND POSITIVELY TO INTEREST IN SETTING UP SCOTTISH TECHNOLOGY ACADEMIES; AND TO ENABLE CENTRALLY-FUNDED COLLEGES BOTH TO IMPROVE THEIR EQUIPMENT AND THE INFRASTRUCTURE OF THEIR EDUCATIONAL PROVISION.

THE GROWING DEMANDS ON THE SOCIAL WORK SERVICES ARE ALSO FULLY RECOGNISED IN THIS SETTLEMENT. INCREASED PROVISION OF 13% WILL PUT LOCAL AUTHORITIES IN A VERY STRONG POSITION TO RESPOND TO THE DEMOGRAPHIC AND OTHER PRESSURES IN THIS AREA. IN ADDITION, THROUGH DIRECT FUNDING OF COMMUNITY SERVICE ORDERS WHICH I AM TO INTRODUCE FOR THE FIRST TIME NEXT YEAR, I AM PLANNING FOR A FURTHER 600 ORDERS IN EACH OF THE NEXT 3 YEARS TO MAKE THIS ALTERNATIVE TO CUSTODY MORE WIDELY AVAILABLE TO THE COURTS.

RESOURCES ARE BEING PROVIDED TO INCREASE STAFF NUMBERS AND TO ENHANCE TRAINING IN THE PRISONS SERVICE. AS PART OF OUR FIGHT AGAINST DRUG-RELATED CRIME, A THIRD WING OF THE SCOTTISH CRIME SQUAD IS BEING SET UP. I HAVE ALSO DECIDED TO INVEST ADDITIONAL RESOURCES IN THE COURT BUILDING PROGRAMME TO ALLOW THE NEW EDINBURGH SHERIFF COURT TO PROCEED AND OVERCOME THE INEFFICIENCIES OF COURT BUSINESS TAKING PLACE IN 6 DIFFERENT LOCATIONS IN THE CITY.

MR SPEAKER, MANY POSITIVE BENEFITS WILL ACCRUE TO SCOTLAND AS A DIRECT CONSEQUENCE OF THE NEW ALLOCATIONS I AM ANNOUNCING TODAY. IN MANY OF THE INITIATIVES WHICH WE HAVE LAUNCHED IN RECENT YEARS WE HAVE ASKED BOTH THE PRIVATE SECTOR AND THE PUBLIC SECTOR IN SCOTLAND TO COLLABORATE TO THE BEST ADVANTAGE OF THE SCOTTISH PEOPLE. THE ALLOCATIONS I HAVE ANNOUNCED TODAY, TO SCOTTISH HOMES, TO THE SDA, TO THE NATIONAL HEALTH SERVICE IN SCOTLAND AND ELSEWHERE ARE IN THE CONTEXT OF PUBLIC EXPENDITURE ACTUALLY FALLING AS A

PROPORTION OF NATIONAL RESOURCES. IT IS THEREFORE AS A
CONSEQUENCE OF THE CONTRIBUTION THE PRIVATE SECTOR ARE MAKING
TO THE WEALTH OF THE COUNTRY THAT WE CAN AFFORD TO ENJOY
THESE IMPROVEMENTS IN THE PUBLIC SERVICES.