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*cc Press
Political
Questions*

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Andrew Turnbull Esq
Principal Private Secretary
Prime Minister's Office
Downing Street
LONDON

6 December 1989

Dear Andrew,

PUBLIC EXPENDITURE SCOTLAND: PARLIAMENTARY STATEMENT

Further to my letter of yesterday I now enclose in final form a copy of the statement my Secretary of State will make in the House this afternoon.

*Yours sincerely
Len Wright*

LEN WRIGHT
Private Secretary

PUBLIC EXPENDITURE SCOTLAND

With permission, Mr Speaker, I should like to make a statement about public expenditure in Scotland.

Following the announcement of the Government's public expenditure plans by my rt hon Friend the Chancellor of the Exchequer on 15 November, I have now completed detailed decisions on the allocation of resources to the expenditure programmes for which I am responsible in Scotland. The total resources that I am able to deploy next year amount to just over £9.5bn. This is £525m greater than the latest estimate of outturn in the current year. Plans for future years will take the total to just over £10bn in 1991-92 and to almost £10.4bn in 1992-93, the third year of the Survey.

In making my decisions on the resources to be allocated to individual programmes over the next 3 years I have, of course, had close regard to what are known as the "formula consequentials" - that is to say the amounts which reflect the increases in the relevant comparable programmes south of the Border. My final decisions, however, reflect very clearly the priority which I and my colleagues attach to particular Scottish needs, and the requirements of particular programmes. The overall effect of my decisions is summarised in a table which is available from the Vote Office and will appear in Hansard. I would single out, however, a number of key priority areas.

We are all concerned to see a significant improvement in our drinking water and the quality of our environment. In order to achieve this, the Government will provide substantial additional resources, over and above the operation of the normal formula arrangements, for increased capital expenditure on water and sewerage services. This will enable me to boost capital expenditure above this year's level by more than £100m over 3 years. This will take our investment

level to no less than £190m in 1992-93, almost 50% above this year's level, and provide a programme of £500m over 3 years. I am sure this will be widely welcomed.

I have also substantially increased the Transport programme, by nearly £30m next year compared with this and made further increases which will bring the programme to over £400m in 1992-93. This will enable us to make a significant start on the new M74, further improvements to the M8, the A96 and to other important trunk and local authority roads.

In Housing the resources available to Scottish Homes will be some £36m (11%) greater than for the current year. I have substantially increased the public sector contribution to the funding of the local authorities' capital programme. The provisional net capital allocations for council housing will increase in total by £25m, 15%. This would allow authorities to maintain the capital programme of improvement and repair of their own stock at the level per house announced this time last year, notwithstanding a forecast reduction in the level of receipts from sales. If local authorities wish to finance higher programmes of maintenance or new construction, they can increase receipts by speeding up sales, as Scottish Homes and the New Towns have done so successfully. My decisions on housing also recognise the importance of the four partnership areas, Castlemilk, Ferguslie Park, Wester Hailes and Whitfield. I am including in these increases an extra £1m for those areas, split almost equally between Scottish Homes and the local authorities' capital programmes. These decisions on housing in Scotland clearly respond to the major priorities at the present time.

The priority which we attach to the partnerships and similar deprived areas is underlined by the 50% increase in the Urban Programme in 1990-91, which will inject an additional £16m of Government grant into projects improving the social infrastructure and employment opportunities in these areas.

The Government's strong commitment to Education is underlined by my expenditure decisions. My Education programme will rise by 12% next year to £439m and to £500m in 3 year's time. Expenditure then will be over 25% higher than it was this year. In recognition of the fact that more of our young people and mature students wish to enjoy the benefits of higher education, I am increasing support for students by £134m over the next 3 years. This means we will be planning for an extra 6,000 students in Scotland next year, and 8,000 in 1991-92.

My spending decisions also reflect the Government's firm commitment to improving the quality of our environment and supporting the maintenance of our heritage. There will be an increase of 10% in funds for the Countryside Commission for Scotland next year and new provision of at least £3m over the next three years for projects within the Central Scotland Woodland initiative; a 16% increase in historic buildings grants next year; an extra £2.5m over three years for repairs to the Royal Scottish Academy building in Edinburgh, and a 25% increase in the National Library purchase grant to enable them to make heritage purchases and fill gaps in their collection.

Finally, I would single out Health for a particular mention. The Health programme is, of course, the biggest single programme within my block and it accounts for almost one-third of the total resources I have at my disposal. Indeed, expenditure per head on health in Scotland is well over 20% above the comparable level in England. I continue to attach a very high priority to the Health Service. I have therefore allocated to it an additional £220m over this year's expenditure; which is more than the formula consequential from comparable expenditure in England. Overall, it takes the Health programme in Scotland to a figure in excess of £3bn for the first time, almost 3 times the size of the programme which we inherited on taking office 10 years ago. By 1992-93, the total expenditure will be fully £500m higher than in the current year.

In addition to these key decisions on programmes, I have, as already announced, set aside resources to enable a significant start to be made in bringing business rates in Scotland into line with those south of the Border. Business ratepayers will be paying £80m less next year than would otherwise be the case.

I have also already announced details of the provision I am making for the SDA and HIDB. The gross expenditure of the SDA will reach a new record level of £180m next year, while the HIDB will have an additional £9m over the next 3 years in recognition of the particular problems of Caithness. Both bodies have welcomed the generous provision being made.

The decisions I am announcing today represent good news for Scotland. They will enable us to address the real priorities and needs of the Scottish people. I commend them to the House.

£ million

	1989-90 Estimated (2) Outturn		1990-91 Planned Provision		1991-92 Planned Provision		1992-93 Planned Provision	
	Net	Gross	Net	Gross	Net	Gross	Net	Gross
Agriculture	200	210	233	233	240	240	250	250
Industry	265	340	251	352	260	350	250	340
Water	130	133	142	143	170	170	190	190
Tourism	12	12	13	13	10	10	10	10
Transport	352	359	382	387	380	390	400	410
Housing (3)	621	1,109	639	1,024	650	1,140	660	1,030
OES (4)	141	211	133	194	140	200	120	180
LOPS	274	288	302	317	300	320	320	340
Education (including Sport)	390	396	439	440	490	490	500	500
Arts & Libraries	28	28	35	35	40	40	40	40
Health	2,714	2,821	2,937	3,041	3,090	3,190	3,240	3,330
Social Work	38	38	38	38	40	40	40	40
OPS	128	149	139	169	160	190	160	190
NI external financing	-60	-60	-118	-118	10	10	10	10
Sub-Total	5,233	6,033	5,560	6,268	5,980	6,780	6,190	6,860
Central Government support for local authority current expenditure	3,818	3,818	4,016	4,016	4,110	4,110	4,210	4,210
Total	9,051	9,851	9,576	10,284	10,090	10,890	10,400	11,070

Note: Owing to rounding, individual figures do not necessarily sum to the totals. Figures for 1991-92 and 1992-93 are rounded to nearest £10m.

(1) The figures for each service consist of Central Government's own expenditure, net capital expenditure allocations and grants to Local Authorities and Public Corporations' expenditure.

(2) The introduction of the New Planning Total means that it is not possible to make precise comparisons between the expenditure plans for 1990-91 and those for 1989-90. It is for this reason that the above table shows comparison between estimated outturn and plans. The estimated outturn figure for 1989-90 is higher than that shown in the Autumn Statement because it takes account of supplementary Estimates and supplementary capital allocations since the figures for the Autumn Statement were compiled.

(3) Scottish Homes' estimated gross outturn, excluding NLF repayments, in 1989-90 is £313m; the proposed figure for 1990-91 is £349m. Local Authorities' latest net capital allocations for investment in their own stock in 1989 including the recently announced supplementary allocations, total £164m. The provisional net allocations for 1990-91 will be £189m.

(4) Estimated urban programme grants in 1989-90 are £32m; the proposed figure for 1990-91 is £48m.